

HURRICANE KATRINA: THE FINANCIAL INSTITUTIONS' RESPONSE

HEARING BEFORE THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT OF THE COMMITTEE ON FINANCIAL SERVICES U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED NINTH CONGRESS FIRST SESSION

SEPTEMBER 14, 2005

Printed for the use of the Committee on Financial Services

Serial No. 109-53



U.S. GOVERNMENT PRINTING OFFICE

25-949 PDF

WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

HOUSE COMMITTEE ON FINANCIAL SERVICES

MICHAEL G. OXLEY, Ohio, *Chairman*

JAMES A. LEACH, Iowa	BARNEY FRANK, Massachusetts
RICHARD H. BAKER, Louisiana	PAUL E. KANJORSKI, Pennsylvania
DEBORAH PRYCE, Ohio	MAXINE WATERS, California
SPENCER BACHUS, Alabama	CAROLYN B. MALONEY, New York
MICHAEL N. CASTLE, Delaware	LUIS V. GUTIERREZ, Illinois
PETER T. KING, New York	NYDIA M. VELAZQUEZ, New York
EDWARD R. ROYCE, California	MELVIN L. WATT, North Carolina
FRANK D. LUCAS, Oklahoma	GARY L. ACKERMAN, New York
ROBERT W. NEY, Ohio	DARLENE HOOLEY, Oregon
SUE W. KELLY, New York, <i>Vice Chair</i>	JULIA CARSON, Indiana
RON PAUL, Texas	BRAD SHERMAN, California
PAUL E. GILLMOR, Ohio	GREGORY W. MEEKS, New York
JIM RYUN, Kansas	BARBARA LEE, California
STEVEN C. LATOURETTE, Ohio	DENNIS MOORE, Kansas
DONALD A. MANZULLO, Illinois	MICHAEL E. CAPUANO, Massachusetts
WALTER B. JONES, Jr., North Carolina	HAROLD E. FORD, Jr., Tennessee
JUDY BIGGERT, Illinois	RUBEN HINOJOSA, Texas
CHRISTOPHER SHAYS, Connecticut	JOSEPH CROWLEY, New York
VITO FOSSELLA, New York	WM. LACY CLAY, Missouri
GARY G. MILLER, California	STEVE ISRAEL, New York
PATRICK J. TIBERI, Ohio	CAROLYN MCCARTHY, New York
MARK R. KENNEDY, Minnesota	JOE BACA, California
TOM FEENEY, Florida	JIM MATHESON, Utah
JEB HENSARLING, Texas	STEPHEN F. LYNCH, Massachusetts
SCOTT GARRETT, New Jersey	BRAD MILLER, North Carolina
GINNY BROWN-WAITE, Florida	DAVID SCOTT, Georgia
J. GRESHAM BARRETT, South Carolina	ARTUR DAVIS, Alabama
KATHERINE HARRIS, Florida	AL GREEN, Texas
RICK RENZI, Arizona	EMANUEL CLEAVER, Missouri
JIM GERLACH, Pennsylvania	MELISSA L. BEAN, Illinois
STEVAN PEARCE, New Mexico	DEBBIE WASSERMAN SCHULTZ, Florida
RANDY NEUGEBAUER, Texas	GWEN MOORE, Wisconsin
TOM PRICE, Georgia	
MICHAEL G. FITZPATRICK, Pennsylvania	BERNARD SANDERS, Vermont
GEOFF DAVIS, Kentucky	
PATRICK T. MCHENRY, North Carolina	

Robert U. Foster, III, *Staff Director*

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT

SPENCER BACHUS, Alabama, *Chairman*

WALTER B. JONES, Jr., North Carolina,
Vice Chairman

RICHARD H. BAKER, Louisiana

MICHAEL N. CASTLE, Delaware

EDWARD R. ROYCE, California

FRANK D. LUCAS, Oklahoma

SUE W. KELLY, New York

RON PAUL, Texas

PAUL E. GILLMOR, Ohio

JIM RYUN, Kansas

STEVEN C. LATOURETTE, Ohio

JUDY BIGGERT, Illinois

VITO FOSSELLA, New York

GARY G. MILLER, California

PATRICK J. TIBERI, Ohio

TOM FEENEY, Florida

JEB HENSARLING, Texas

SCOTT GARRETT, New Jersey

GINNY BROWN-WAITE, Florida

J. GRESHAM BARRETT, South Carolina

RICK RENZI, Arizona

STEVAN PEARCE, New Mexico

RANDY NEUGEBAUER, Texas

TOM PRICE, Georgia

PATRICK T. McHENRY, North Carolina

MICHAEL G. OXLEY, Ohio

BERNARD SANDERS, Vermont

CAROLYN B. MALONEY, New York

MELVIN L. WATT, North Carolina

GARY L. ACKERMAN, New York

BRAD SHERMAN, California

GREGORY W. MEEKS, New York

LUIS V. GUTIERREZ, Illinois

DENNIS MOORE, Kansas

PAUL E. KANJORSKI, Pennsylvania

MAXINE WATERS, California

DARLENE HOOLEY, Oregon

JULIA CARSON, Indiana

HAROLD E. FORD, Jr., Tennessee

RUBEN HINOJOSA, Texas

JOSEPH CROWLEY, New York

STEVE ISRAEL, New York

CAROLYN MCCARTHY, New York

JOE BACA, California

AL GREEN, Texas

GWEN MOORE, Wisconsin

WM. LACY CLAY, Missouri

JIM MATHESON, Utah

BARNEY FRANK, Massachusetts

CONTENTS

	Page
Hearing held on:	
September 14, 2005	1
Appendix:	
September 14, 2005	53

WITNESSES

WEDNESDAY, SEPTEMBER 14, 2005

Bordelon, Ken, President and CEO, E Federal Credit Union (LA), representing National Association of Federal Credit Unions	16
Cloutier, C. R., President and CEO, MidSouth Bank, N.A. (LA), representing Independent Community Bankers of America	18
Deaver, McKinley W., Executive Director, Mississippi Bankers Association, representing American Bankers Association	14
Elliott, Charles, President and CEO, Mississippi Credit Union Association, representing Credit Union National Association	20
Gibbons, David, Senior Executive Vice President and Chief Risk Officer, HSBC North America (IL), representing American Financial Services Association	26
Casey-Landry, Diane, President and CEO, America's Community Bankers	24
Shelton, Hilary O., Director, Washington Bureau, NAACP	28

APPENDIX

Prepared statements:	
Oxley, Hon. Michael G.	54
Bachus, Hon. Spencer	55
Biggert, Hon. Judy	59
Carson, Hon. Julia	61
Clay, Hon. Wm. Lacy	62
Bordelon, Ken	63
Cloutier, C. R.	74
Deaver, McKinley W.	85
Elliott, Charles	94
Gibbons, David	111
Casey-Landry, Diane	122
Shelton, Hilary O.	131

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Bachus, Hon. Spencer:	
The Financial Services Roundtable & Housing Policy Member Company Hurricane Katrina Relief Efforts, September 13, 2005	135
Biggert, Hon. Judy:	
Letter to Treasury Secretary John Snow, September 8, 2005	162

HURRICANE KATRINA: THE FINANCIAL INSTITUTIONS' RESPONSE

Wednesday, September 14, 2005

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:10 a.m., in Room 2128, Rayburn House Office Building, Hon. Spencer Bachus [chairman of the subcommittee] presiding.

Present: Representatives Bachus, Jones, Baker, Castle, Kelly, Ryun, Biggert, Tiberi, Feeney, Hensarling, Pearce, Neugebauer, Price, McHenry, Sanders, Maloney, Moore of Kansas, Frank, Waters, Hooley, Carson, Hinojosa, McCarthy, Green, Moore of Wisconsin, Clay, and Matheson.

Chairman BACHUS. [Presiding.] Good morning. The Financial Institutions Committee will come to order.

I want to welcome our witnesses to the hearing today.

Last week we had a hearing at which time we talked with the regulators about their efforts to work with consumers and customers and victims of Hurricane Katrina; also, relief workers who were in the area and are sometimes having trouble getting their checks cashed.

And I want to commend all the associations and the institutions you represent. You have done a marvelous job on assisting the victims in cashing of their checks, a lot of times without a lot of identification.

Already we have heard many reports of waiving ATM fees, of giving extensions on payment of loans without penalties, so I want to commend the industry. I think that you have done a stellar job of at least cushioning some of the financial hardship that your customers and the citizens of those three States have incurred.

At this time, I am going to yield—and I am going to hand out a statement that I made last week at last week's hearings about the different things that the regulators and the banks are doing to ease the burden on the victims and their customers, and I am just going to hand that out.

But at this time I want to turn the mike over to Chairman Baker and recognize all his fine work in this issue. He has worked tirelessly on a broad package of relief measures for financial institutions and their customers. Really the victims of Katrina is what we are focusing on.

I strongly support his efforts and look forward to working with him as this process moves forward. We will probably move some legislation, break it out and move it, quicker than the entire package.

But at this time, I yield the balance of my time and am pleased to recognize the gentleman from Louisiana, Mr. Baker, for the rest of my time.

And at the end of his statement, then the ranking member, Mr. Sanders, I will yield to him for an opening statement.

Mr. BAKER. Mr. Chairman, I thank you for your willingness to convene the hearing, your attention to this subject matter, and your leadership on a broad array of issues that confront us as a result of Hurricane Katrina.

Before I proceed, I just want to acknowledge that you have a particularly influential panel this morning.

And I want to acknowledge Mr. Ken Bordelon, the chief executive of E Federal Credit Union, who is here to speak to credit union needs in the face of this disaster, as well as Mr. Rusty Cloutier—and I am helping committee members out with Cloutier, so in case you were wondering how that is said. Not only is he an ICBA member, he is the director of the Federal Reserve Bank of Atlanta.

Both these gentlemen come with particular expertise and perspectives that I think will be of value to the committee this morning.

Secondly, the assistance needed at the moment is encouragement to financial institutions within the affected area to make available debit cards, ATM cards, some portable method for victims to take previously authorized benefits, whether Social Security, veterans benefits, unemployment comp, workmen's comp, a whole array of regularly issued Government benefits, and convert them into some sort of account.

There has been hesitancy only because of regulatory constraints on these financial institutions. To put a scale on this problem, with regard to Social Security checks issued in the disaster area only, not those direct deposited, only those checks issued which are put into the mail, there were 800,000 issued on September 1 for the affected area.

Not only are there not mailboxes, there are not postboxes. So the ability to connect that individual who is living month to month with that benefit is now significantly adversely impacted.

In speaking with financial institution representatives, whether credit union, bank, savings and loan, whatever, there is concern that if they engage in a check cashing activity without the standard regulatory process in place that there will be a regulatory consequence to them going forward if they cash a check and later found to have done so inappropriately.

At this juncture, whether it is a \$500 check or a \$1,000 check, it almost does not matter. People are having difficulty in acquiring the basic goods and services they need in order to, one, be mobile, but secondly, take care of their families.

As is stated in the media on repeated times, the million or so people that lived in the Orleans area are now disbursed across the country. But the principal area in which many have landed is with-

in my congressional district, and this is of extreme importance to get expedient resolution of this matter.

I think the chairman has indicated that the provision relative to the check cashing issue may be one which he would consider moving in an expeditious manner, and I certainly would encourage that consideration of the committee.

Finally, I think it is important today to have regulators' recognition that this is a problem we have never faced before. The scope and breadth is far beyond anything one could have imagined. We have financial institutions which for the first time when we say underwater, it is not a figurative slogan.

They are literally underwater, with an inability to go recover the records of their depositors, making it physically impossible for them to conduct business. This requires a regulatory view that we have not had, ever, in our country's history.

It requires a regulator's understanding that if there is adverse impact on the institutions' capital standing that we should not follow the regular order in pursuing these institutions into financial distress.

We should recognize that at least until the water recedes, there should be very generous grant of operating authority to give all affected the chance to recover in an appropriate manner.

Mr. Chairman, I cannot express deeply enough my appreciation to you and to members for their generous courtesies extended and for your kind assistance throughout this entire matter. Thank you.

Chairman BACHUS. I thank you.

Now I recognize the ranking member, Mr. Sanders.

And I want to compliment this entire committee in a bipartisan way. We have had members on both sides that have assisted.

I know Ms. Hooley has worked very hard on the check cashing part of the thing with Mr. Baker. And I would like to particularly express my thanks to her.

Mr. SANDERS. Thank you very much, Mr. Chairman, for holding this important hearing.

And I want to thank all of our panelists for being here today, and especially those who came up from the affected areas. Thank you very much.

Clearly, it is urgent that we address the extremely challenging financial circumstances under which people have to function in the wake of Hurricane Katrina. And I look forward to hearing from our witnesses today about what can be done as to how we respond in lightening the blow of this tragedy.

By all accounts, Hurricane Katrina was a staggering catastrophe from which all sectors of the New Orleans and Gulf Coast society and economy will be recovering for a very long time.

While the toll in human lives is not yet fully counted, and the damage to the regional and national psyche is immeasurable, we already have some estimates of the financial impacts of the storm, and they are astounding.

We have heard numbers from \$125 billion to \$300 billion as estimates of the cost to recover and an estimate that the insurance industry will pay nearly \$60 billion in damage claims.

The disruption to people's personal financial lives has also been terrible. People have been cut off not only from their homes and

possessions but from their cash, their Social Security checks, their paychecks, and other financial resources.

Vast numbers are very stressed over their credit rating because they may not pay their bills on time for a whole host of different hurricane-related reasons. Many people have lost their I.D.s and most, if not all, of their financial records. The list goes on.

These are concerns that nearly every person hit by the hurricane and subsequent flooding will face, and I hope we come out with some very clear direction today about how to best deal with these day-to-day conundrums.

There are also some concerns that are particular to only some of the population impacted by Katrina. As we have been reminded all too well by this tragedy, there is an enormous, usually-out-of-sight, out-of-mind portion of our population that is terribly poor.

These people, disproportionately African-American, have special financial troubles and vulnerabilities that we and you and our financial institutions must be sure to address.

As Mr. Shelton of the NAACP points out in his written testimony, many of the tens of thousands of displaced persons now scattered throughout the South, Southwest, and elsewhere live their lives paycheck to paycheck, and sometimes here in Washington, D.C. we forget about that reality.

If and when they were able to flee the city before the hurricane, many had to take out payday loans to be sure to have a little bit of cash in their pockets for the uncertain future.

Many, having no access to financial services in their communities before the hurricane, may have kept their life savings in cash in their homes, and they have lost most or all of it in the flooding. And the problems simply go on and on.

I would like to hear today what our financial institutions are doing to address the needs of everyone, including the large population of poor people, in the affected area and particularly what they are doing to address the special needs of those with the very least resources.

I think many of the ideas put forward so far have merit. Ideas like a moratorium on foreclosures, collections, and deficiency judgments, for example, seem appropriate. At a time when a person's credit score is an asset as or more important than the balance of their bank account, preventing negative credit reporting due to late or non-payment as a result of Hurricane Katrina should be the least, in my view, that creditors can do.

Similarly, banks and other financial institutions must revisit their policy on late fees and interest and extend some period of amnesty to these victims.

In short, at this time of inconceivable trauma in the lives of so many, I hope to come away from this hearing confident that our Nation's banks, credit unions, and other financial institutions will do everything they possibly can to minimize the repercussions Hurricane Katrina will have on its victims, especially those who have not been particularly well served by these institutions in the past.

Thank you very much, Mr. Chairman.

Chairman BACHUS. Thank you.

And at this time, I am going to yield to the gentleman from Louisiana, Mr. Baker, on his own time.

And, Mr. Baker, I think you might want to mention some of the things that the banks are doing and the regulators, and I know you have discussed with me business continuity loans and others. But I yield at this time.

Mr. BAKER. Thank you, Mr. Chairman. I will direct my remarks to the pending proposal that is before the committee. And I know the witnesses will address their concerns to the legislation.

There are really five basic areas that have been brought to our attention by bankers or financial service providers in the affected area.

Number one is the anonymous check-cashing issue that requires individual institutions to take a Government-issued check and convert that into some negotiable product, either cash, debit or ATM card, and to provide some relief to the financial institution for potential liabilities that accrue as a result of engaging in that activity.

The anonymous check cashing and the Government check cashing are related, but the same issue applies to both.

Loan payment deferrals with fresh start programs—under current circumstance, interest accrual cannot be deferred, although the principal may.

A new regulatory environment to basically construct a fresh start loan would enable the individual who has a home that currently is underwater, for example, and is not likely to be accessible for the next 60 days to 90 days, to defer principal and interest payments for the 60-day to 90-day period.

This would not avert the individual's obligation to pay their agreed-upon financial responsibilities but merely postpone the repayment or extend the repayment based on the construct of a new loan agreement.

Business continuity loans—this is an area where there is, I think, an extraordinary deficit in the emergency response system. The only measure now available to a business would be previously agreed-upon, privately arranged insurance coverage because FEMA assistance is non-existent, and the only SBA assistance is a low-interest loan.

For businesses that have been relocated from New Orleans to Baton Rouge, there is no assistance provided nor tax benefit granted to the business entity that pays for employees' relocation, pays for their housing, or any of those expenses.

That means to the business owner an extraordinary amount of business expense which is not recoverable, directly or indirectly, through tax benefits. And the continuity loans provision, I think, is extremely important.

And finally, with respect to Federal Reserve assistance, this makes statutory the ability to waive wire transfer fees and reducing charges for cash shipment. In that first 10-day period after the storm, we were basically reduced to a cash economy. There was no ability to take a credit card and pay for your gasoline because the systems were down.

If you did not have cash in your pocket, you were without resources. Many of the local lending institutions found themselves under extreme duress because of the demands for cash by indi-

vidual victims of the storm. These provisions would help, to a great extent, assuage those problems going forward.

Mr. Chairman, I appreciate the construct of the bill. I appreciate your courtesy in enabling this hearing and believe that the elements of the bill now pending are, indeed, very responsive to the problems we face, and I deem it advisable for the committee to move forward.

I thank the chairman.

Chairman BACHUS. I thank the gentleman for your statement.

Mr. Frank?

Mr. FRANK. Thank you, Mr. Chairman.

The importance of our working together on this and with the banking industry is critical, and I have to say I think it ought to be nice for everybody. This is one where almost everybody's—I think everybody's interest is together.

This is not a case—I mean, we do not often have the head of the NAACP sitting side by side with all the bankers in complete agreement, I think, on what needs to be done. And this is a reminder to people of our financial institutions at their best, which is frequently where they are, to serve the constituency.

Our function here is not, as a committee or as a Congress, to—I was about to say bail out. I am struck by how many of our metaphors have become somewhat inappropriate now because they were so water-based. It is not our job to worry about the health of the institutions. It is our job to worry about how the institutions serve the basic functions in the economy of the consumers.

And there is an agreement here. I think this is something we start with, that keeping banks in business, having them function, is not just important to the banks; it is important for the citizens. It is important for the economy. And I believe this is why we have been able to work so closely together.

There are two levels, obviously. One is the immediate question of having things function, and people have been addressing that. The gentleman from Louisiana talked about it. The chairman took the lead in terms of indemnification for check cashing. We are not sure exactly how it works out.

I hope the regulators understand by now there is, I think, unanimity on this committee that they should experiment. They should be flexible. They should do everything reasonable to get money into people's hands, both because people need money to eat and to live and because that is the way we are going to bring the economy back.

And in general we have safeguards. No one is asking in this crisis for there to be a total relaxation of safeguards. But I think it is—you know, let's be explicit. If a few people get some money that they were not supposed to get, that is far less of a problem than a lot of people not getting the money that they are supposed to get.

This is a time when you calibrate, I think, less on the safeguards. And, you know, we need to be clear. When you are talking about human systems, you are talking about a balance. It is impossible, particularly in the chaos, disruption, and emotional torment of physical destruction that we are facing—it is impossible to design a system that is going to be 100 percent accurate.

So let's also in advance say if and when the journalistic horror stories start coming that this or that individual got money he or she should not have gotten and this or that person ripped them off, that is a risk I want to take because if we do not take the risk of some abuse, we will not have a system sufficiently flexible to get the money out there.

Now that is not an invitation for people to ignore safeguards, but it is a sense that in this crisis it is more important to get the money out, understanding that inevitably there will be some problems, and that is where we want to go.

I also am strongly inclined in this situation to be deferential to the regulators. It is not something that I think we want to or should try to micro-manage. I think we understand here there is a common interest in liquidity—again, with the metaphors. There is a common interest in the money getting out there. And we will be supportive.

And to the extent, obviously, that short-term legislative fixes are needed, I would think if we are talking about a legislative fix that is limited both in geography and in time, it is hard for me to find something I would not be for.

If we are talking about something that is for 6 months or a year in the affected area—and sometimes people will say to us well, you are giving people special treatment.

I do not think there is anybody anywhere in the country who will be envying the people in this region if we give some more flexibility to banking. This is not a time when we have to worry about that. I think the country, in fact, will be very supportive.

Then we get to the next question, and I know some of the testimony—I have looked through it—touches on this, and those are the longer-term issues. And I will repeat what I have said before. I am particularly concerned about a potential negative impact on smaller financial institutions, community banks, independent banks, and credit unions.

It is obviously less of a problem if you are the Bank of America, or Chase Bank One, or Wachovia, if you are spread out. But there are important institutions who are focused in that area.

We had a meeting yesterday of the Democratic Caucus on the important question of the Federal Government's role with minority-owned banks. And I noticed in the sheet that we had that there are three African-American-owned banks in New Orleans, and clearly, given what is—they are at risk. And it is not just they that are at risk.

So I also invite the witnesses and the regulators—and some of the witnesses have done this. Yes, we will meet the short-term needs, but longer term, again, I am prepared to take some extraordinary steps, particularly to keep smaller institutions in business.

If you are the best run institution, the most prudent financial institution, and you did a good job of bringing deposits, and you did a good job of meeting the needs of the community—and you were careful with your borrowers, then I think you could still be in trouble because much of your base was concentrated in this area.

Finally, I noticed an interesting letter from the National Community Reinvestment Coalition to the regulators about the importance

of giving full CRA credit for those financial institutions that pay particular attention here. This is relevant.

Clearly, we have a situation where poor people, and African-Americans in particular, have been disproportionately hit by this and, you know, we get a lot of argument about let's be fair, et cetera.

Well, I do not think anybody should argue—if people have been disproportionately hurt, no one should object if we are disproportionately trying to help them deal with the hurt. You can not ignore reality and get there.

So I hope that the regulators—and I believe they will be keeping all of those things in mind, and they will find a great supportive responsive here.

Chairman BACHUS. I thank the ranking member.

And again, I want to express to you and Mr. Sanders the cooperation of your staffs, Mr. Moore's staff and other members' staffs have shown in this thing, working with Chairman Baker—and I and the other members on our side of the aisle—I know Mr. Green, for instance, met with FEMA. He and I were in a meeting with FEMA about some of these problems as well as some members from Texas on our side. So I appreciate that.

At this time, I am going to recognize the gentlelady from Illinois, Ms. Biggert, to make an introduction.

Mrs. BIGGERT. Thank you very much, Mr. Chairman. I want to thank you for your leadership in holding this hearing.

And I also want to express my deepest sympathies to those individuals and businesses affected by Hurricane Katrina.

In addition, I would like to express my appreciation to the Federal and private-sector financial services community for responding to this catastrophe in such a resilient fashion. The expedited flow of resources, the funds, and other emergency assistance, the financial and regulatory waivers granted, and cooperation among the community I think have been exemplary.

And I hope that this compassionate and cooperative activity will continue in the days, months, and years to come.

FEMA and our private sector charitable organizations are continuing to meet the basic needs of Katrina victims, including shelter, food, and an initial \$2,000 stipend. However, what these victims will need in the coming days, weeks and months—will need more than just a cash handout.

Many have lost everything, and they will need to understand their financial rights and develop skills or retain assistance to navigate through another disaster, one that is financial. Some will need to learn how to budget their \$2,000 stipend, while others may need to know their options for financial assistance, for rental housing, or building or rebuilding their homes.

Our Federal agencies and financial institutions have done a great job at getting the funds to and providing some financial guidance to the victims, but more can and must be done, many of us who sit on this committee and are members of the Financial and Economic Literacy Caucus agreed.

Last Friday, Congressman Hinojosa and I joined 28 other members of the Caucus and sent a letter to Treasury Secretary Snow.

And, Mr. Chairman, I would request that the letter be inserted in the record at this time.

Chairman BACHUS. Thank you. Additional time, you were asking?

Mrs. BIGGERT. No, I want to insert this letter to—

Chairman BACHUS. Yes.

Mrs. BIGGERT. —Secretary Snow in the record.

Chairman BACHUS. Without objection.

Mrs. BIGGERT. Thank you.

The letter requests that Secretary Snow convene an emergency meeting of the Financial Literacy and Education Commission to coordinate Federal agency efforts to provide financial guidance to the victims of Hurricane Katrina and act as a clearinghouse for Federal and private sector financial-related information.

In the Fair and Accurate Credit Transaction Act, we created this commission, and I hope that they will hold a meeting in the very near future. I believe that the financial guidance that they will be able to provide is a critical element that hurricane victims need on the road to recovery.

As Americans have proven time and time again, we can and will emerge from tragedy. But we must focus our activity and move forward together.

And on that note, I would like to take this opportunity to say a word about one of today's witnesses who is not from my district but from one of my favorite towns in Illinois, Lake Forest.

Mr. David Gibbons, who is the senior executive vice president and chief risk officer of HSBC North America Holdings, is testifying today on behalf to the American Financial Services Association. He is a leader and 25-year veteran of the financial services world.

His leadership experience in the oversight of financial institutions includes banking examinations and credit risk policy making, and he is a former deputy controller for special supervision for the Office of the Comptroller of the Currency.

Mr. Gibbons led the OCC's problem bank supervision program. In that capacity, he designed and implemented rehabilitation strategies and resolutions for the country's largest and most complex problem institutions. I would like to welcome him to the committee today.

And finally, I would like to note that HSBC and the AFSA Foundation are two financial organizations that have made great progress in this area of financial literacy. It is my hope that organizations like these can partner with the Financial Literacy and Education Commission to work to provide financial guidance to the hurricane victims.

Again, I would like to welcome Mr. Gibbons.

And thank you, Mr. Chairman, for the time.

Chairman BACHUS. I thank the lady.

At this time, I am going to recognize the gentlelady from California, Ms. Waters, for her opening statement.

Ms. WATERS. Thank you very much, Mr. Chairman. I am very appreciative for this hearing, and I would like to thank you and the other members of the committee.

I think a lot has been said about, number one, our concern that our financial institutions are sound, that those who were harmed by the hurricane are up and working in some fashion.

And I had an opportunity to glance briefly through some of the testimony, and I can see some of the creative ways by which some of the banks are continuing their operations. And I am extremely appreciative for those banks who have shown special concern for their customers, and they are reaching out in all kinds of ways to make sure that they provide services.

I have something that I would like to—two things I would like to pay attention to. Number one, I have been paying attention to FEMA's effort to distribute \$2,000 debit cards. They were not able to manage it. They put it out there basically at the Houston dome. And they had to pull it back. It was just almost impossible to do.

And the alternative to that is to deposit money in the victims' accounts or have them go online, I believe, and make out applications, get registration of them, et cetera. I want to call your attention to our efforts, and my effort in particular, to do lifeline banking.

Lifeline banking was that banking that would allow poor people to have accounts in all of our financial institutions without the kind of charges, et cetera, that are normally visited upon bank accounts.

Now, many of the people of New Orleans can not have their money deposited in any bank because they do not have any accounts. And even though we have some legislation, I think, in the hopper that would do that, should the legislation pass, I would like to ask the financial institutions to pay particular attention to this because I think not only does it serve poor people and people who do not normally have accounts, but it seems to me the millions of dollars—billions—that will flow through the banks—somehow the banks should get some advantage from that if you hold the money for 24 hours or so. I do not know.

But this is a time that I should point out that lifeline banking is extremely important that we get everybody in America who wishes to have an account the ability to do that.

The second point I would like to make is this. There is going to be a lot of reconstruction and rebuilding of not only the infrastructure, the business sector and, of course, homes and residences.

And we know that some of the no-bid contracts have been let already and the big guys, you know, whether it is Halliburton or the Shaw Group or Fluor Corporation, they have theirs.

But what you are going to see and what I am encouraging and a lot of us are encouraging—we are encouraging not only the employment of people who were victims, and we are encouraging that the transitional housing be placed in areas adjacent to New Orleans, like in Baton Rouge and Alexandria and Lafayette and all of these places so that people have an opportunity to return, have some jobs with the rebuilding of this infrastructure.

We want job training. We want jobs. But this is an opportunity for everybody to play—minority contractors. As you know, we have always talked about community reinvestment. That is very important to us, not imply mortgages, but also on the commercial side.

We believe that you can do a number of things. Number one, for many of the minority contractors and women-owned businesses that have not had an opportunity to have access to contracting opportunities with cities, States, what have you, they are going to be there. They are going to be at your doors.

See what you can do to pay attention to how you can create or shore up or redesign programs, not giving anybody anything, but this is business. This is the banks being able to make a profit, but it is also an opportunity for the banks to spread its wings and open up some opportunities for those who have been kind of excluded in this contracting business.

So I would like to ask you to pay particular attention to that. I think that we have done everything that we could possibly do with CRA and the encouragement of minority participation. And we know that there are no laws that say you have to do anything, but I would think that in the interest of building of good relations, expanding all of that, that this would be taken into consideration.

Thank you, Mr. Chairman.

Mr. FRANK. Would the gentlewoman yield for 10 seconds?

Ms. WATERS. Yes. I yield to the gentleman.

Mr. FRANK. I just want to reinforce particularly what she said about lifeline banking. It does seem to me we are talking about how to get money. If everybody there had had a bank account through lifeline banking, how much easier it would be to try and help alleviate this, so I just want to reemphasize she has taken the lead on this legislatively.

That is why on our side in particular—and we appreciate the cooperation—we fought so hard for it. I think at a time like this we really see its value.

Chairman BACHUS. I thank you.

Dr. Price, do you have an opening statement?

Mr. PRICE. Thank you, Mr. Chairman. I want to thank you for holding this hearing as well.

And I want to thank each of you for coming and especially to commend each of you and your association and your employees for what you have done so far. I have been so incredibly heartened by the response of Americans to what is the largest natural disaster in our history and the largest response, in a private way, by Americans. So I want to thank each of you and your employees and your association for what you are doing.

I truly appreciate also the comments of my colleagues, but I look forward to the information that you are going to give us in your testimony. Thank you.

Chairman BACHUS. Thank you, and I appreciate your efforts, Mr. Renzi's efforts, and others, as we all worked on this bill.

Ms. Maloney? Okay.

Mr. Green?

Mr. GREEN. Thank you, Mr. Chairman—

Chairman BACHUS. Thank you.

Mr. GREEN. —and ranking member. I, too, would like to thank you for convening this hearing. I think it is exceedingly important.

I represent the Ninth Congressional District in Houston, Texas, and within the Ninth Congressional District we have the Astrodome. I have had an opportunity to view firsthand what many have

seen from afar, and I assure you, I am proud of the way Houstonians have responded. But still, there is great work to be done.

And I am honored today, Mr. Chairman, that the NAACP is a part of this august panel. I think it is exceedingly important that the views of organizations like the NAACP be heard and be respected.

The NAACP new president and CEO, Mr. Bruce Gordon, has done an outstanding job with the organization and has marshaled the forces of the organization behind what I believe is an unprecedented effort to assist the persons who have been devastated by this disaster. So I thank you for what you have done.

I do want to also say, just for edification purposes, that there are still some persons referring to the persons who survived—there are persons referring to them as refugees. And I am going to beg that we please reconsider our language.

Sometimes our diction can be less than superb, but I have talked to the victims, the survivors, and they do not like the term refugee. They really do not. They really are not. They are taxpaying Americans. The same Constitution that applies to us applies to them. And they are offended by this term.

And so I beg that we reconsider those verbiage, and a term that seems to be acceptable is survivors, evacuees, but please, not refugees, not for Americans. Let's let Americans be Americans regardless of their status after a hurricane.

I would like to let you know that my concerns will involve much of what the NAACP has outlined—a moratorium on foreclosures. I would hope that we can find a means by which we can give people additional time.

A prohibition against negative credit reporting—I think that it is exceedingly important that we understand that this situation is going to take time for people to get themselves back on their feet, and we do not want to damage their credit. In America, credit is everything.

Sometimes it is better to have credit than to have money. In fact, it is almost un-American not to have credit, so we want to make sure that we protect credit.

Late fees mounting up—I would hope that we can find ways and means to deal with these late fees that will be staggering.

And of course, we want to make sure that we do all that we can to deal with the invidious predatory lending practices that we sometimes find manifesting themselves when persons are weak and vulnerable. These are some of our concerns. Coupled with the CRA points for loans, I think that is important.

And finally, I, too, would like to join my colleagues in encouraging thinking out of the box, realizing that this can happen to any of us. And I can say that with a degree of certainty because Houston, Texas, was but a few degrees away from that same hurricane. And while I am not an overly pious person, I do believe that but for the grace of God it could have been me.

But I thank you, Mr. Chairman, and I look forward to hearing from this outstanding group of panelists that we have assembled.

Chairman BACHUS. I thank you, Mr. Green.

My understanding—there are no more opening statements on the Republican side.

So at this time, Ms. Carson, I recognize you for your opening statement.

Ms. CARSON. Thank you very much, Mr. Chairman and ranking member and members of the committee.

Thank all of you who assembled here today to provide information about the dilemma in which the victims of Hurricane Katrina faces.

My concern is based on calls that I have received from my constituents in Indianapolis, Indiana, in that how does one guarantee the safety of the resources that they already have on deposit. Secondly, how does the institution verify without any identification that that money belong to them and that they can have access to it, notwithstanding the absence of identification per se?

If you do not have online banking where you can put in a code and get your money, then it is very problematic in terms of being able to access your resources.

I have families in Indianapolis, Indiana, who have family in Mississippi and in New Orleans. And while I respect the fact that financial institutions have to be on guard against some ambivalence of taking somebody's money out of the account or not giving the money—to anybody, if someone could explain how one would facilitate legitimate transfer of money, that would be probably the only question that I have at the moment.

Thank you very much, and I yield back, Mr. Chairman.

Chairman BACHUS. Thank you.

At this time, we are going to go to our panelists, but I would like unanimous consent before we do so to introduce from the Financial Services Roundtable and the House Policy Council member companies a—this is a comprehensive, fairly up-to-date list, as of 5 p.m. yesterday, of what our larger—and these are our larger financial institutions—what they have done, donations they have made and different accommodations they have made for their customers.

And it is obviously pretty extensive, and I would introduce that, without objection.

And at this time, we will hear from our panelists. Our panelists are—I will introduce them, the ones that had not been introduced.

Mr. Mac Deaver, executive director of the Mississippi Bankers Association, and you are actually representing the American Banking Association as their representative.

Mr. Bordelon has previously been introduced by Mr. Baker.

And Rusty—I think you said Cloutier, is that right? Cloutier?

Mr. CLOUTIER. Cloutier, that is right.

Chairman BACHUS. Cloutier. That is close. I know Rusty, but I call him Rusty. That avoids all that. Mr. Baker's already introduced you.

Mr. Charles Elliott is CEO of the Mississippi Credit Union Association, and you are representing the CUNA, Credit Union National Association, and I welcome you to the committee.

Ms. Diane Casey-Landry, president and CEO of America Community Bankers. Appreciate your attendance.

Mr. Gibbons, you have already been introduced by Ms. Biggert.

And finally, Mr. Hilary Shelton, director of the Washington Bureau of the NAACP, and we welcome you and look forward to your testimony.

And at this time, we will just go from my left to my right and start with Mr. Deaver for an opening statement.

STATEMENT OF MCKINLEY W. DEEVER, EXECUTIVE DIRECTOR, MISSISSIPPI BANKERS ASSOCIATION, REPRESENTING AMERICAN BANKERS ASSOCIATION

Mr. DEEVER. Thank you, Mr. Chairman and members of the committee. As has been stated, my name is Mac Deaver. I am executive director of the Mississippi Bankers Association. Our organization includes 106 commercial banks and savings institutions that operate in the State of Mississippi.

Approximately 1,000 locations for those banks and savings institutions operate in our State. We represent about 99 percent of the banking deposits in Mississippi.

I am pleased today to be here to speak on behalf of the American Bankers Association to discuss the industry response to Hurricane Katrina.

Significant progress, certainly, has been made in the banking industry and is ongoing. I am proud to report that the banking industry is doing extraordinary things to respond to this crisis. Of course, first and foremost, this is a human disaster.

This hurricane has brought personal tragedy into the lives of tens of thousands of Americans. Of course, a lot of those folks can not be here today to speak to you, but a lot of the bankers were also affected by this. And in the middle of this tragedy, they have had personal losses as well as business interruption.

I would like to share a story with you that was told to me by Peter Gwaltney, who is the chief executive officer of the Louisiana Bankers Association. Peter told me the story of Mr. Guy Williams, who is with Gulf Coast Bank & Trust in New Orleans.

He and his bank were evacuated to Baton Rouge, but Mr. Williams continued on a nightly basis getting in his boat and going from Covington, Louisiana, across Lake Pontchartrain to New Orleans rescuing people and taking them to shelters.

Now if you look at a map of Louisiana, that is a pretty good boat ride. But he continued to do this and, of course, during the day he was trying to get his bank organized and operating in Baton Rouge. And that is just one of many stories that continued to occur.

As far as the business of banking, just 1 day after the storm hit, there were a number of banks that were able to be up and running even in some of the hard-hit areas. This was certainly easier in my State because we did not have the long-term flooding issues that came up in the New Orleans and South Louisiana areas.

Only 4 days after the hurricane, every bank in the State of Mississippi was operating, I will say, on some basis in some locations. I am proud to say that this was accomplished in large part because bankers stepped forward to help bankers and to help others in their community.

In numerous situations, banks provided facilities, expertise, equipment to the banks that were in the hardest-hit areas. In one

case, a bank processed checks for a competitor bank because that competitor bank's processing center was disabled.

As of this week, it has been reported that several New Orleans area banks are sharing a dozen branches in Jefferson Parish, which I understand is adjacent to New Orleans.

Banks in the coastal areas have gone to extra lengths to be of service to their customers. They have done this with mobile ATMs, temporary facilities, shared facilities, as I have mentioned. Some banks have opened without any power at all. A bank in Richland, Mississippi, operated for several days in the dark with pen and paper, but they were up and running.

Peoples Bank Biloxi, one of the hardest hit banks—their senior management spent the night in the bank several nights for various reasons, but so they could get their bank up and running, and they did get up and running within 4 days.

Of course, banks have been called to serve the thousands of misplaced persons, evacuees from the storm. Banks are serving these in many different ways, through, as I have mentioned, the mobile ATMs, shared facilities.

Banks have stayed open on weekends. Both weekends since the storm banks have stayed open to provide services in their areas and to accommodate the vast number of evacuees.

One town in my State, Brookhaven, Mississippi, reports they have 2,000 evacuees in a town of 10,000, and that is not the Astro-dome, but that is a big impact in that community, and the bankers are working hard to serve those persons.

The industry has worked closely with bank regulators on a daily basis. We have been on conference call meetings with regulators discussing how we can best accommodate customers and non-customers who are in our markets.

We are working with Government and charitable organizations to make sure that these persons get access to their benefits. This is extremely important, and I would have to say that it is probably the one topic of conversation in all our talks that has taken the most time, has been delivering those benefits, and how we can do it, and how we can identify customers and non-customers.

I want to share quickly a story from Texas. There were two unaffiliated banks. Both used the name Omni Bank. One was from New Orleans and one was operating in Texas. Some evacuees from New Orleans were in Texas, and they called on the Texas bank thinking it was their bank. They did not know.

I am proud to say that the bankers in Texas at Omni Bank of Texas took the initiative to help those people contact their bank, access their funds, and get the financial services that they desired.

My time is running out here or has run out, but typical industry-wide acts include a lot of waiver of fees, suspension of interest, extension of grace periods, and increases of credit lines.

In Mississippi, I know that a number of banks have assigned employees for the specific purpose of dealing with persons affected by the storm, both evacuees and others. Many have established 800 numbers for folks to call to directly access those services.

Finally, I would just like to say that serving non-customers continues to be a very serious issue. The banks are having to balance

their need to serve, their desire to serve, their need to do the right thing with regulatory and institutional concerns.

We hate to talk about liabilities and losses at this time, but that is reality. And I can tell you the bankers in Mississippi are working to do the right thing, and we appreciate the support of others in helping us do that.

I am pleased to be here, and the ABA stands ready to work with the committee as we work toward solutions and success in this area. Thank you.

[The prepared statement of McKinley W. Deaver can be found on page 85 in the appendix.]

Chairman BACHUS. Thank you, Mr. Deaver.

I would say that the American Banking Association has been invaluable to the committee over the last week or so, supplying technical expertise as we have drafted legislation and as we have worked with the regulators, and they have done a tremendous job on keeping us posted as to the situation along the Gulf Coast and in New Orleans. They have done a phenomenal job.

Thank you.

At this time, Mr. Bordelon.

STATEMENT OF KEN BORDELON, PRESIDENT AND CEO, E FEDERAL CREDIT UNION (LA), REPRESENTING NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS;

Mr. BORDELON. Good morning, Chairman Bachus, Ranking Member Sanders, and members of the subcommittee. My name is Ken Bordelon, and I am the president and CEO of E Federal Credit Union, headquartered in Baton Rouge, Louisiana. I am here on behalf of the National Association of Federal Credit Unions, NAFCU.

Thank you, Chairman Bachus, for your leadership on this important issue and for convening this hearing to examine what has been happening to financial institutions in the aftermath of Hurricane Katrina. All of our thoughts, prayers, and sympathies are with the victims of this terrible disaster.

I am pleased to report to the subcommittee that NAFCU has been working with the National Credit Union Administration, NCUA, and other credit union groups since the beginning stages of this disaster to provide help to impacted credit unions in any way that we can.

Our members are following the agency's lead for where they need additional equipment and resources sent. Coming up here yesterday from Baton Rouge and having seen much of the devastation firsthand, I can say that credit unions that survived are working together to support those that did not.

Many credit unions in the impacted area are trying to be as flexible as possible, within safety and soundness limits, to accommodate those in need of financial assistance. The losses to credit unions in the impacted area are expected to be great.

E Federal was fortunate to have suffered no loss other than a day and a half of limited service to our members due to power outages. This has allowed me to be here today in Washington to tell the story for many of my colleagues who are too busy on the front lines to join us.

One of the biggest challenges for credit unions in the aftermath of Hurricane Katrina is to have the regulatory flexibility to deal with the challenges in serving the needs of the hurricane victims. Any action that Congress can take to signal this message to the regulators would be important.

Some of the main concerns that credit unions would like to bring to your attention include the following.

One, telecommunications problems continue. ATM and debit card authorizations are sporadic, which causes everyone to continue to want cash. The outages are affecting our shared credit union network and causing difficulty for those out of the immediate area who are trying to contact Louisiana credit unions.

Several credit unions cannot get their lines rerouted out of the New Orleans substations, which is causing a great deal of distress on behalf of members who cannot get their data through normal methods such as automated voice response machines and through the Web.

Two, the desire for cash raises currency issues. Institutions have been taking steps to make sure that they have the cash available to meet their needs. I am happy to report that we have experienced excellent cooperation from the Federal Reserve, our corporate credit union system, and our depository banking partners.

Three, not all members brought their identification with them when they evacuated, and this makes check cashing extremely difficult and will make reissuance of formal documents difficult as well. Members wanting to set up new accounts are having trouble due to the requirements of the Patriot Act.

We at E Federal are providing loan extensions, skip payments and a special needs team to assess the borrowing needs of those with impaired credit. In addition, we have provided space at two of our branches to affected credit unions to set up emergency operations. Many credit unions in the area have taken similar measures.

One unique aspect of the credit union community is our shared branching network. E Federal is a member of the network. Consequently, we were able to serve members from credit unions in the New Orleans area with immediate cash needs in the wake of the storm.

This process of sharing service centers, which is widespread in the Gulf Coast region, has been a godsend, as surviving institutions have been able to help many of the ones that suffered damage.

Finally, I would like to bring to your attention two legislative proposals that would aid credit unions in the long-term recovery from this disaster. The first would give NCUA the authority to allow credit unions to continue to serve and add members from their select employee groups after a credit union converts to a community charter.

The second proposal would give NCUA greater flexibility with prompt corrective action, or PCA, reform. This proposal would give NCUA the flexibility that the other banking regulators currently have in dealing with PCA levels.

In closing, I would note that the challenge for credit unions in the wake of Hurricane Katrina has been great. It is with this in

mind that NAFCU stands ready to work with the NCUA and Congress to meet the needs of the hurricane victims.

We support efforts that help secure the safety and soundness of credit unions while helping financial institutions meet the needs of hurricane victims. We thank you for this opportunity to appear before you today and would welcome any questions.

[The prepared statement of Ken Bordelon can be found on page 63 in the appendix.]

Chairman BACHUS. Thank you very much.

At this time, Mr. Cloutier?

**STATEMENT OF C.R. CLOUTIER, PRESIDENT AND CEO,
MIDSOUTH BANK, N.A. (LA), REPRESENTING INDEPENDENT
COMMUNITY BANKERS OF AMERICA**

Mr. CLOUTIER. Mr. Chairman, Ranking Member Sanders, my name is Rusty Cloutier. I am a Louisiana banker. I run a bank called MidSouth Bank, which covers all the coast of Louisiana besides the coast that was destroyed. I run from Baton Rouge-Homer, Louisiana, to the line in Vinton, Louisiana, which is right next to the Texas border.

I also have a bank in Texas, located in Beaumont, Texas, that is also in the Conroe market, College Station, and I agree with Mr. Green's statement. So be it but me, this could have destroyed Houston, Lake Charles, Lafayette.

Let me first of all tell you that I was born and raised in hurricane country. My father was civil defense director for the city of Morgan City. Any of you all who know anything about hurricanes know that when they advertise hurricanes it is from Apalachicola to Morgan City, Morgan City to Corpus Christie.

I lived through Betsy. I lived through Hilda. I lived through Camille. I lived through Audrey. Katrina was the big one of them all. They were like high school football games compared to the NFL. This was a terrible hurricane.

The bankers of Louisiana responded beyond their wildest dreams, from rescuing and helping people individually to trying to get to their customers and dealing business. Let me tell you what we have done in Louisiana and what we continue to try to do.

Even before this hurricane came, I had a sharing agreement with the banks in New Orleans called Community Cash. In the first 8 hours of the evacuation, in a small town called Opelousas, we gave out over \$60,000 through ATMs that were immediately accessed from our system.

We today still have two banks operating within our bank, Parish National from the Covington area, and Mississippi River Bank, hit so hard in Belle Chasse. We continue to work very closely with them. We continue to fund ATMs and cash checks and work with them on an ongoing basis.

You must remember, we are on their Web sites as the bank to go to if they have problems in the New Orleans area, because of our community sharing network.

But I want to also talk to you about the work we have done within the shelters. The Cajun Dome in Lafayette, which Congresslady Waters visited last week, was one of the first refuge sites between

Baton Rouge and Lafayette that people were sent before they were moved on to Houston and other areas.

And I have spent a lot of time visiting with them. Their financial considerations are great. And I will tell you it has had a great bit of difficulty for those people getting checks cashed without identification and working with them.

I almost chuckled a little bit when FEMA talked about handing out \$2,000 debit cards to many of these who were totally unbanked and would not have the slightest idea how to use a debit card or understand what they were doing.

We need immediate relief for check cashing. I applaud the chairman and our great Congressman from the State of Louisiana, Mr. Baker, for taking leadership and guaranteeing checks for people with Social Security.

Let me tell you just a story that came up the other day. I got a call from Mr. Greg Davis, who runs the Cajun Dome, a very fine man in Lafayette, who called me up and asked me if I could come over. And he had a group of people in his office who had no identification with checks from FEMA and asked me if we could cash them.

We worked through that. But I will tell you, my compliance officers were not very happy. They reminded me that I was violating the law, that they did not have the ability to have identification. I will tell you, a lot of laws have been violated in Louisiana to make things happen.

Don Powell, who has been great in being responsive, called me within 72 hours of the hurricane hitting and said Rusty, what do you need, what help do you need. I said Don, the biggest problem is going to be people down here trying to make things work. He said believe me, Rusty, hold me responsible; I will make it work. And I said well, you know, Don, we are all concerned about violating some of these rules. He said well, call me if it ever comes to be a problem.

So I will tell you, things are coming together in Louisiana. I am very proud to announce today that as we sit here today, in exactly 50 minutes, Don Powell will hold a press conference in Gretna, Louisiana, announcing that a number of banks are going to be open under shared facilities.

Mayor Nagin announced today that the downtown New Orleans may be open as soon as next week in the French Quarter, where some of these banks will be able to get up and running. And it has been a great experience.

I am very proud that the phone numbers of every bank in Louisiana—there was a place to reach them within 5 days of the hurricane. It was amazing to me, with some of the problems they had, that they were able to get it together.

Not only problems of destroying their banks—because one person told me I have lost 30 percent of my staff that have left, that were moved to Houston with Shell Oil or moved other places, that are never coming back, and I have to rebuild my bank with new people. That is very difficult to do in a destroyed situation.

I would just call on a couple of other things you must remember, and I will give you a little quick story on this. There is a lot of people in trouble in New Orleans. I spoke to a banker yesterday who

has a bulk fuel distributor who deals in gasoline. He has a \$5 million line of credit to him.

His receivables are at the gas stations in New Orleans, the bulk plant in Venice, Louisiana, which Congressman Baker will tell you is totally destroyed, and also he has credit out to the City of New Orleans, which—Mayor Nagin said today they can not pay their bills.

And without flexibility for the banks to continue to deal with these people, we are going to have big problems. We need the flexibility of this committee to allow that to happen.

We also need a continual situation in the future—and I call on this committee to study hard that the next time this happens we have relief available for the regulators to act quickly. You know, we need to have such things as the rescission law not on the books.

I had a lady in my bank the other day who wanted to get somebody to repair her roof, and I explained to her she had a 3-day right of rescission. And she says I do not want a right of rescission. I want the contractor to finish my roof and pay him because he wants cash up front.

So we need a lot of these considered, a lot of things to look at, and I know this committee will do a fine job. And I compliment you on the work you have done.

On behalf of the people from the State of Louisiana, on behalf of the bankers from the State of Louisiana, we thank you for what you are doing. We never wanted this catastrophe. We never wanted it to happen. And certainly, we are very glad to work with you.

I will be happy to answer any questions not only today, but please feel free to call me at any time at my bank, and I will be happy to work with any member of this committee. Thank you so much for the opportunity to testify today.

[The prepared statement of C. R. Cloutier can be found on page 74 in the appendix.]

Chairman BACHUS. I appreciate that. I appreciate your remarks about Chairman Powell. As you know, he was an acting member of the Independent Bankers Association, ICBA, and was very concerned about our smaller credit unions and independent banks in the aftermath of Katrina, and we are very happy to know that they are all financially stable.

And he issued a statement that the Federal Government would stand behind our banks and our credit unions, the full faith and credit of the Government and the FDIC, of the Federal Deposit Insurance Corporation.

Mr. Elliott, welcome your testimony.

**STATEMENT OF CHARLES ELLIOTT, PRESIDENT AND CEO,
MISSISSIPPI CREDIT UNION ASSOCIATION, REPRESENTING
CREDIT UNION NATIONAL ASSOCIATION**

Mr. ELLIOTT. Members of the subcommittee, on behalf of the Credit Union National Association, I am Charles Elliott, president and CEO of the Mississippi Credit Union Association.

I am here today to share with you the devastation that has impacted our credit unions, to share the remarkable relief efforts underway through credit unions across the country, and also to ask for your help.

Hurricane Katrina took away our homes, our schools, our places of worship, our jobs and, in some cases, our lives. She altered our plans, postponed our dreams, and temporarily took control of our lives. However, we are working very hard to make sure that she does not take away the will and the hope of the American people living on the Gulf Coast.

After the disaster, the Mississippi Credit Union Association, with the leadership of CUNA and generous assistance from credit unions around the country, took a variety of immediate actions to help our credit unions with their needs.

But our most important role is to deliver hope to our credit unions and credit union employees so that they, in turn, can deliver hope to their credit union members, hope in knowing that they are not alone, that someone else is out there looking out for them, hope in believing that they can regain control of their lives, and hope that life again someday would be normal, albeit a different definition of normal.

Our credit unions have shown a great commitment to serve. Only 1 day after the hurricane made landfall, in spite of the fact that three-fourths of our State was without electricity, many credit unions opened their doors for service. They operated offline, taking pencil and paper transactions, doing whatever they could to meet the needs of their members.

Today, some of our credit unions along the Gulf Coast are still without data lines and phone services that they need to provide lifeline financial services. Our credit unions put the credit union philosophy of people helping people into action. They took steps that were neither asked nor required of them in order to ease financial burdens.

They have deferred payments on member loans, increased lines of credit on credit cards, increased overdraft limits on checking accounts and, it goes without saying, waived fees.

Regardless of the credit union commitment to serve members and help each other, it soon became clear to us that the effects of Hurricane Katrina would be devastating.

I want to give you an example of one credit union. I think it encompasses all that is taking place down in Mississippi and the movement. Jackson County Federal Credit Union in Pascagoula is a \$3.1 million credit union. They only have one office. Two of the credit union's employees do not have a home.

The building that they were in was totally destroyed by a storm surge. This credit union was not in a designated flood zone. They did not have flood insurance. The insurance company deemed all of the loss for this small credit union as from water, and they are going to get an insurance check, but it is going to be for the cost of two computers and a phone line.

This credit union went to work very quickly. They set up operations in the back end of a pickup truck. One of the credit union's employees served as the security person because he had a gun that he could bring down there and sit and guard them with.

This makeshift credit union did everything they could to respond to the needs of their members. They soon moved into the office of another credit union, and after hours the credit union manager left her cell phone number on the door of that office.

On her way home one evening, she got a phone call from a credit union member, Doug DeSilvey. He was requesting that she come back and give him \$6,000 for burial expenses. Mr. DeSilvey had actually survived the storm, but he watched helplessly as his daughter, his ex-wife whom he was taking care of, and her parents—all three perished in the flood waters that breached their home. Mr. DeSilvey not only lost everything in this storm, he lost everyone in his life. His family was together because 2 days before Katrina they held memorial services for his father.

The issue of flood insurance and housing is tremendous. Countless individuals and businesses across the Gulf Coast thought that they were fully secured and fully insured. Their property was not in a flood plain, had never flooded, even during Camille. Now they have lost everything, and they are facing payments on a home or business that no longer exists.

We have 14 credit unions in Mississippi on the Gulf Coast that were in the direct path of the storm. Eight of them received major water damage to 11 of their facilities. Only one had flood insurance and only on some property.

Now, those credit unions which were not located in the flood zone not only are struggling to reestablish financial services to their members, they are also facing significant losses which must also ultimately be borne by their member owners.

But the tragedy of so many left homeless is also compelling. You take these same 14 credit unions—129 of their employees are homeless. Most of them had houses that were completely destroyed. They no longer have a place to live due to the storm, and the vast majority of those employees are also facing a lack of flood insurance themselves because their residences also were not in the flood zone.

Unfortunately, Katrina chose to ignore the designated flood areas, and now these employees, the key to reestablishing lifeline financial services to some 200,000 credit union members, have no relief when the workday ends for them.

They have no lawn to mow. They have no recliner to sit in. They have no rocker on the front porch. And there is also no insurance check on the way to help them rebuild their lives. There is no escaping the constant reminders that they are homeless and without recourse.

Whether through temporary or permanent measures, Congress can play a role in assisting credit unions in meeting the needs of the victims of Hurricane Katrina who may still be in the affected area or scattered across the country.

Providing housing must be a priority. In addition, the flood insurance problem must be addressed. Both of these barriers are significant contributors to storm victims' feelings of hopelessness and despair.

The immediate removal of these barriers will provide the renewed will and hope so that the American people living on the Gulf Coast can start rebuilding their lives.

From a unique credit union perspective, perhaps one of the most meaningful things that Congress can do is to address the problems associated with capital that will be facing our member credit unions. We have serious concerns that the recovery efforts will be

significantly limited by constraints and restraints imposed on credit unions under prompt corrective action.

PCA not only forces credit unions to restrict growth that results from deposit of new funds, but also requires the NCUA regulators to impose significant sanctions on credit unions that face declining net worth.

Considerable PCA concerns may be faced by a number of credit unions in the path of Hurricane Katrina due, in part, to the relocation of their membership as well as to the uncertain future of their communities. We have major issues such as non-performing loans, and these will also exacerbate this situation.

Many credit unions themselves were destroyed, as were the assets of virtually all of their members. Also, we have growth concerns that are going to come in the future when people that do get insurance monies deposit those insurance monies in their credit union account.

But we believe that the PCA changes embodied in H.R. 2317, the Credit Union Regulatory Improvement Act, should be made permanent. We also are asking Congress, at a minimum, to provide NCUA with temporary authority to waive certain PCA requirements. This authority should be applicable for credit unions in the affected areas as well as those serving relocated members.

We are committed to working in the aftermath of Hurricane Katrina to help our staff, our volunteers, and our members rebuild their lives, their communities, and perhaps, most importantly, their financial well being.

It will be a long and difficult road for the victims whose homes and communities were devastated beyond repair, but the credit union movement is ready to help them regain their financial independence and a secure future.

Mr. Chairman, I do want to tell you that people get hope from a lot of different things, and our visits down on the coast prove to us that one of the most effective ways that we can deliver hope is through a hug. I consider that now my specialty, and we have given out a lot of hugs over the last several weeks.

Thank you very much.

[The prepared statement of Charles Elliott can be found on page 94 in the appendix.]

Chairman BACHUS. I thank you for your statement.

And I know in your testimony you mention something that we are very concerned about, and that is the fact that much of the property and many of the homes that were destroyed or damaged and businesses by the storm surge and by the flooding was outside the designated flood zone.

And that obviously is something that I will ask you all when we have time for questions is what would be your recommendations with respect to the Federal insurance payments that will be made by the Federal Government.

Mr. ELLIOTT. Do you want to talk about that now, or—

Chairman BACHUS. And we will do that—

Mr. ELLIOTT. Thank you.

Chairman BACHUS. Ms. Casey-Landry?

**STATEMENT OF DIANE CASEY-LANDRY, PRESIDENT AND CEO,
AMERICA'S COMMUNITY BANKERS**

Ms. CASEY-LANDRY. Chairman Bachus and members of the subcommittee, I am Diane Casey-Landry, president and CEO of America's Community Bankers. Thank you so much for holding this important hearing.

And I also want to thank Chairman Bachus and Chairman Baker for their leadership and legislative efforts on behalf of financial institutions in the affected area. Like you, our thoughts and prayers are with the victims of Katrina.

At ACB we have established, like many others, a relief fund that our members are contributing generously to, bankers continuing to help bankers as well as their customers.

Let me begin with a brief update from the people on the ground in the hurricane-ravaged area. Dan Digby, president of the Community Bankers of Louisiana, and Peter Gwaltney, president of the Louisiana Bankers Association, are keeping us current on a daily basis. They have reported with pride and enthusiasm the many ways that community banks in the area are helping each other even while having faced huge personal losses.

I want to note that Mr. Digby and Mr. Gwaltney, working with their bank commissioner, John Ducrest, have done an outstanding job in providing assistance and guidance to the banks, just as their counterparts have done in Mississippi and Alabama. They deserve our thanks.

Mr. Digby, who was here last week and cannot be here today because he is with FDIC Chairman Powell in Baton Rouge, is still warning of a perception gap and has asked me to provide his views.

He is concerned about what is going on in the hurricane-affected areas and what the regulators have been stating is happening. Community banks are not fully operational in the worst-hit areas. They are making progress, but there are no banks open in Orleans Parish. There are limited services at the banks that are open that can be offered.

I spoke to one of my board members last night from the New Orleans area, and he expressed frustration that today he still has only one of six branches open, and it is limited operations at that.

Liquidity still remains a concern. The Federal Reserve must continue to provide the necessary liquidity to the banks in the region as long as the cash economy continues to exist, which it seems like it will for a while.

Community banks throughout the Gulf Coast are also extremely concerned because they are cashing checks with limited identification, as you have heard, and they fear that in 12 months to 18 months bank examiners will cite them for violating the check cashing rules during this crisis.

Mr. Digby has warned that many of the loans will have to be restructured to accommodate customers, and while these debt restructurings are occurring, the regulators must relax their historical expectations and limits on loan delinquency reports and loan loss reserves and allow the banks to capitalize the interest into the restructured loan. Let me emphasize, the leniency will be critical for many months to come.

Community banks have been active in reaching out to the victims. Banks in the communities surrounding the most affected areas are sharing facilities, computers, and personnel so that the damaged community banks can continue to serve their customers. Banks in the area that are able to do so are meeting the challenge to serve their customers and their communities the best they can.

The community banks are doing what they can do to ensure that their customers have access to money. As you have heard, cash is really important now. One bank president drove around to his business customers last week with excess cash, collecting their cash deposits, and providing a handwritten receipt for the business owners so they could continue to function.

Community banks are waiving ATM fees and late fees. They are extending grace periods to customers in the affected areas. They have suspended mortgage payments for 60 days to 90 days, returning direct debited mortgage payments when they can reach the customer.

They are developing alternative payment plans and providing penalty-free CD withdrawals. They are also working with the small businesses to get them up and running.

Most importantly, Congress, the bank regulators, and the Administration can help more. First, the Federal Government must make it absolutely clear that the U.S. banking system and insured institutions are safe and sound. That is particularly true for the community banks whose footprint is limited to the affected area.

Second, Congress needs to pass the legislation to indemnify community banks in the hurricane region from cashing the bad checks. Community banks are being asked to cash Government checks, FEMA checks, and other forms of assistance, and they are doing that. We just do not want them to be left to foot the bill.

It is also essential that the bank regulators provide written guidance so that months from now bank examiners will not cite institutions for potential violations of the Bank Secrecy Act, the Patriot Act, or other regulations because they provided the necessary check cashing services to victims under relaxed standards.

The challenge is to maintain necessary flexibility in regulatory policy and compliance requirements. As Mr. Digby repeatedly said last week, those with the boots on the ground have a different view than those who view the devastation from afar. Regulatory policy will be continuing to evolve during this period, but that policy must remain flexible and over an extended period of time.

Jobs are also an important part of the solution. The Gulf Coast is home to thousands of small businesses that have been devastated. We recommend that the SBA offer a much more streamlined approval process to get loans into the hands of these businesses, and time is of the essence. As my bankers have said, people need jobs to come home to when they come home.

Community banks are eager to be engaged throughout the recovery process, and the actions that are being praised today must not be exposed to criticisms tomorrow. We thank you for your help and your guidance. We look forward to working with you and with our members in the region.

I would be pleased to answer any questions. Thank you.

[The prepared statement of Diane Casey-Landry can be found on page 122 in the appendix.]

Chairman BACHUS. Thanks very much for your testimony.

Mr. Gibbons, you have previously been introduced by Ms. Biggert.

STATEMENT OF DAVID GIBBONS, SENIOR EXECUTIVE VICE PRESIDENT AND CHIEF RISK OFFICER, HSBC NORTH AMERICA (IL), REPRESENTING AMERICAN FINANCIAL SERVICES ASSOCIATION

Mr. GIBBONS. Thanks, Mr. Chairman, members of the subcommittee. My name is David Gibbons. I am senior executive vice president and chief risk officer at HSBC North America Holdings.

Today I am testifying on behalf of the 300 members of the American Financial Services—

Chairman BACHUS. Mr. Gibbons, would you maybe pull that mike up a little closer?

Mr. GIBBONS. Better?

The American Financial Service Association represents companies that lend to customers and small business. AFSA members help individuals and families buy the houses they call home and the cars that give them access to work.

HSBC North America is one of the 10-largest financial services firms in the United States, with business units that offer a full range of banking and lending products.

In the United States, we engage in commercial banking and are a top mortgage, credit card, and auto lender. Under the brand names HFC and Beneficial, we are one of the country's largest consumer finance companies, with some 1,400 offices located in 46 States.

Like scores of organizations, AFSA members moved swiftly in the days after Katrina struck to support rescue and recovery efforts. AFSA members have contributed more than \$45 million to efforts so far, and that number will undoubtedly rise.

Our industry is extending its hand to individuals and families who have been directly and indirectly affected by the hurricane. AFSA members are working with customers individually and generally to accommodate their needs and to help them get on their feet.

For example, HSBC customers who live in the FEMA-designated individual assistance disaster areas may delay their September payments by 30 days as they move to handle more immediate needs.

AFSA has heard from a number of lenders that have waived late and over limit fees. HSBC has waived cash advance fees for the same reason. And as encouraged by our Federal regulators, we are suppressing credit bureau reporting for hurricane-affected individuals.

Members of AFSA are also offering emergency credit line increases for many credit card and mortgage companies to help them get over what we hope is a temporary problem, but we probably know is going to be a sustained crisis.

Our employees are also tremendously involved in this effort. For example, employees at HSBC and other AFSA members across the country are conducting fund raisers and collecting donations.

With just 48 hours' notice, some 1,000 HSBC volunteers joined hundreds more at Capital One and other private companies to accept contributions during a September 2nd concert for the benefit of the American Red Cross, and we are prepared to do that again.

As our Nation moves to the stage of rebuilding, it is of utmost importance that we establish a platform upon which hurricane-affected individuals and families can rebuild their homes and their lives.

AFSA is appreciative of the subcommittee's request for its input on several legislative proposals outlined by the committee. AFSA is still in the process of gathering input from its members on these proposals. But all the committee's initiatives are worthy of serious consideration.

While AFSA's in the process of developing its input, we do wish to offer some recommendations of our own for your consideration.

First, consistent with the efforts of the Federal financial regulators, it would be appropriate to pursue administrative changes relaxing bank secrecy, know-your-customer and privacy requirements for those individuals and families needing the help of the financial services sector to reestablish their access to cash and credit.

Second, because it is important to get cash into the hands of consumers, we believe it prudent for the bank regulators to delay implementing supervisory policy that requires lending organizations to assess higher minimum payments on their credit cards.

Longer term, we believe that there will be a number of issues that need to be addressed. First, we believe there may be significant environmental issues that will need to be addressed as we learn more about what the news media has described as toxic soup that covers New Orleans.

Residential lenders will need Government guidance to ensure that rebuilding efforts are safe from biological or chemical contaminants left behind by the flood waters.

The spirit of interagency cooperation among financial regulators will need to be expanded to include the Environmental Protection Agency and other appropriate agencies to develop environmental cleanup policies to foster a safe environment for businesses and residents.

Second, Hurricane Katrina is expected to require the insurance industry to pay out nearly \$60 billion in damage claims. While the regulation of insurance is primarily a matter of State jurisdiction, Congress has wisely provided some limited Federal insurance coverage through the National Flood Insurance Act and Terrorism Risk Insurance Act.

Congress may wish to consider expanding flood insurance for those who were underinsured because they were not located in Federal flood zones.

Third, AFSA members applaud the Federal bank regulators' efforts to ensure customers' access to banking facilities, cash, and credit, and to provide some supervisory flexibility, but it is important to note that many AFSA members are not banking organiza-

tions and may not be allowed the same flexibility to work with their hurricane-affected customers.

To that end, we would ask you to work with the Securities Exchange Commission and other State regulators to ensure that non-bank lenders who are critical to rebuilding efforts are afforded the same flexibilities to work with their hurricane-affected customers as banks are.

Finally, to ensure customers get the best loans at the lowest rates, the Government should ensure that financial institutions who are sharing in the credit risk of rebuilding are not relegated to the back of the line in the case of default.

Subordinating our lien positions behind those of the Federal Government may ensure the Government is first in line to collect in the case of default, but it will assuredly increase the financial risk to the private sector lenders which inevitably will lead to higher rates and higher payments for all consumers, not just those affected by the hurricane.

Mr. Chairman and members of the subcommittee, there is much that needs to be done. We have taken only the first of what we believe will be many, many steps to rebuild what Hurricane Katrina has damaged.

I thank you for the opportunity to testify before you today and will be pleased to answer any questions you have.

[The prepared statement of David Gibbons can be found on page 111 in the appendix.]

Chairman BACHUS. I appreciate that.

Mr. Shelton?

**STATEMENT OF HILARY O. SHELTON, DIRECTOR,
WASHINGTON BUREAU, NAACP**

Mr. SHELTON. Thank you very much, Mr. Chairman and Ranking Member Sanders. Ladies and gentlemen of the subcommittee, I appreciate the opportunity to come before you today to talk about responses of our Nation's financial institutions to the Hurricane Katrina disaster.

I am here on behalf of the national NAACP, our Nation's oldest, largest, and most widely recognized grassroots-based civil rights organization. With more than 2,200 units in every State in the Nation, including hundreds of units in the areas that have been most devastated by Hurricane Katrina, the NAACP stands ready to provide you with our concerns and suggestions as to how best to help the multitude of victims of Hurricane Katrina.

Once the scope of the damage from Hurricane Katrina became apparent, as well as the fact that a disparate number of those most severely affected were African Americans and other racial and ethnic minorities and the poor, the NAACP activated our grassroots networks and began offering assistance.

In preparing this testimony, I spoke extensively with the people in charge of the Baton Rouge, Louisiana, Biloxi and Jackson, Mississippi, and Houston, Texas, NAACP disaster command centers, and much of what I have to say here today comes from them, the people in the field.

I would like to thank them all—Mr. Kwame Asante in Baton Rouge, Louisiana; Mr. Derrick Johnson in Jackson, Mississippi; Mr.

James Krowell in Gulfport, Mississippi; and Ms. Yolanda Smith in Houston, Texas—for their insight as well as their Herculean efforts to help the victims of Katrina.

At the most basic level, it is the fervent goal and aspiration of the NAACP to ensure that when all is said and done the victims of Hurricane Katrina, regardless of their race, economic level, or the extent to which their lives were disrupted by this disaster, are able to come away with all that they had had prior to the tragedy in terms of their finances, property, heart, minds, body, and souls.

Much of this, including homes, cars, businesses, and credit ratings, are a result of an interaction they had prior to the hurricane with a financial institution.

Thus, we are strongly urging the financial institutions that are represented here today to continue with all the Hurricane Katrina—working with Hurricane Katrina victims and show flexibility and compassion so that all the residents of the Gulf States are not further victimized and they can recover from the horrors of this disaster.

I am also here today to say that the NAACP invites the opportunity to work with you, the financial institutions, as well as with every Member of Congress, to try to develop policies to help ensure that all of the victims of Katrina fully recover.

Secondly, the NAACP wants us to learn from Katrina. When all is said and done, we would like to be able to say that yes, Katrina was a devastating nightmare and much was lost; it shined a spotlight on historically troubling racial and economic divides that still persist in our Nation, but we can learn from such past tragedies, and we have taken the time to try to establish policies and practices to try to stop, or at the very least stem, some of the very serious problems that occurred in September of 2005.

We cannot stop natural disasters, but we can do more to mitigate the damage they cause with greater conviction. In the short term, there is much that we can and should be done by our Nation's financial institutions to help address the losses suffered by tens of thousands of people who were affected by Hurricane Katrina.

According to our command center director from Houston, where tens of thousands of victims have been taken, there is a dire need to consolidate services and make them readily available to large numbers of people.

Most of the victims who are housed in Houston came in by buses and, thus, lack transportation. To expect them to travel to other areas of town to obtain even the most basic of financial services is impractical and difficult, at best.

Furthermore, the sheer numbers of people who have been evacuated to Houston and are in dire need of basic services demands innovative responses from all sectors, including the financial services sectors here.

I should add that the NAACP recognizes that many of these people may not have been involved as traditional customers to your banks, credit unions, or et cetera. Quite frankly, some of them have never used an ATM or applied for a traditional mortgage or small business loan in their lives.

But now is not the time for anyone, including the financial institutions, to turn their backs on whole communities. From a business

perspective, it would also be a terrific opportunity to pursue new clients and to prove that your institutions truly care about a diversity of people and about their customers—that could become your customers.

Looking a little further out, we would like all financial institutions to develop a plan to ensure that everyone affected by the devastation, not just the wealthiest, are able to rebuild. We must make sure that the finite pool of capital is spread evenly throughout the victims and that the low-and middle-income Katrina victims are not left out of efforts to rebuild.

To that extent, the NAACP supports the recommendations of the Independent Community Bankers of America that a special loan bailout fund be created for the Federal Government to purchase loans of borrowers affected by the disaster. We would like to be involved in the creation and implementation of that fund, however, to ensure that consumers and homeowners are protected as well as the financial institutions.

There are a few steps that can and should be taken by all financial institutions to ensure that the people of Louisiana, Mississippi, Alabama, and the other areas affected by Katrina are not further victimized and do not suffer further losses.

Many of these recommendations are especially important to low-and middle-income families, many of whom lived paycheck to paycheck and may have lost their jobs when their places of employment blew away or was last seen under 15 feet of water.

Specifically, the NAACP is joining other consumers and civil rights groups in calling for a series of debtor protections, including a moratorium on foreclosures, a prohibition of collections and deficiency judgments on real and personal properties, a prohibition on negative credit reportings or omissions of negative events from credit scores when the incidents were a result of Katrina, and a voluntary waiver of late fees or interest on loans made to people in Katrina-affected areas for a period of at least 3 months.

The NAACP is also very concerned about the predatory lenders, who even as we speak must be circling some of the worst hit areas, salivating at the potential for abuse. Predatory lenders have historically targeted African Americans and low-income Americans at disproportionate rates, so we need to ensure that the few protections we have remain firmly in place.

Specifically, the fraud protections regarding home improvement contractors, including the 3-day right to rescission and the APR disclosure must be retained.

Lastly, financial institutions can stem the inevitable preponderance of predatory loan in low-and middle-income neighborhoods and communities of color by establishing a presence of their own in these areas.

If legitimate financial institutions opened branches in low-income neighborhoods or in areas predominantly occupied by African Americans and offered low-cost loans, then predatory lenders would have a harder time re-victimizing the victims of Katrina, which brings me to my final point, lessons we can learn from Katrina.

In my discussions with Kwame Asante, the president of the NAACP Baton Rouge branch and the director of our hurricane command center in that city, one thing became clear. With the slow

erosion of the Community Reinvestment Act over the last few years, traditional financial services have become, even prior to Hurricane Katrina, harder to come by in low-income and predominantly African-American communities in his area.

As a result, when people were scrambling to find shelter or evacuate prior to the hurricane's arrival, Mr. Asante himself witnessed several mothers dragging their children from bus to bus to try to get to a part of town that did offer financial services to get money out of their accounts. The other option, which was used by too many other people, was high-interest lenders, including payday lenders.

The lack of basic financial services in our communities has also led to people storing their savings in their homes, in their mattresses and teapots. So when their houses washed away or became engulfed in flood water, people lost more than their homes. They often lost their life savings as well.

In closing, if we learned anything from this disaster and hope to avoid the devastation of these proportions in the future, it is that financial institutions must do more to serve low-and middle-income Americans and that they cannot ignore communities of color.

Hurricane Katrina is a disaster of tremendous proportions, both in economic as well as basic human terms. Yet it also offers us opportunities to do better and to offer more to our society.

For financial institutions, Hurricane Katrina has provided you with the opportunity to offer your services to people from all walks of life and all racial and ethnic backgrounds and to show a sense of compassion that has been sorely missing from our national history.

The NAACP stands ready to work with you. Thank you again very much for allowing me to testify today and to share with you the concerns, challenges, and hopes of the NAACP.

[The prepared statement of Hilary O. Shelton can be found on page 131 in the appendix.]

Chairman BACHUS. I thank you very much.

My first question—we have heard reports of people walking into banks without a driver's license or identification trying to either open a bank account or become a member of a credit union. And the Bank Secrecy Act, you know, prevents a certain amount of that.

Now it is my understanding that the bank regulators have asked you to sort of relax those rules. Is that correct? Are you getting that message?

Mr. CLOUTIER. Mr. Chairman, I will tell you that the message is coming loud and clear from Don Powell, but let me give you an instance. We have formed a task force over at ICBA, and we had a conference call the other day, and we had some bankers on from Homestead, Florida, who went through Andrew, another major hurricane that hit Florida and then hit Louisiana.

And their comments were yeah, they worked with us for 12 months, and then they came back and they blistered us on what we did. And there is still a big fear of that among the bankers. Don and I have had long conversations about that. We had long conversations with John Ducrest, the banking commissioner.

And, I mean, there is a lot of fear that, you know, what is going to happen 12 months, 24 months from now. So that is why I en-

courage you all act so much. I think it will help. It will help send a very clear message from Congress of what your wishes are, and hopefully—I know the regulators will pick it up and work with it. But there is a fear of that out there.

Chairman BACHUS. Thank you.

I will tell you all on the currency transaction reports we have been working with just—and I am talking about for regular customers, seasoned customers, Mr. Hensarling's legislation—does not have at this time, but we are very, very close to having a seasoned customer component on that.

And with some assurance I will tell you today that we will probably have legislation with the backing of the regulators where we will not have to have as many of the CTRs.

Mr. DEEVER. Mr. Chairman, if I might add to that on the identification issue, we have heard the same things that Mr. Cloutier—

Mr. CLOUTIER. Correct.

Mr. DEEVER. —okay, I am from Mississippi, not Louisiana—that he has heard, and we have talked directly with Chairman Powell about this. And we are really trying to advocate, as is Chairman Powell, common sense in this, for still being able to meet the immediate needs and get our hands around those.

And I guess we certainly are all concerned with the goals of the regulations that we are under. We do not put those aside, but we are talking about temporary emergency type relief in these situations, and, frankly, the bank secrecy type regulations did not have a Plan B, and we are advocating, I guess, a Plan B, a temporary limited response to these needs. And we appreciate any help that we can get.

Chairman BACHUS. And I know Chairman Baker said, you know, those things that we have got a consensus we feel like we can pass immediately. We need to get out—that is why this indemnification for check cashing and other—want to try to get that out, even though it does not have prompt corrective action in it.

And I know that something that the credit unions particularly have asked for us to get. But those things are more controversial, and we want to move immediate relief out.

Ms. CASEY-LANDRY. Mr. Chairman, could I just add one comment—

Chairman BACHUS. Yes.

Ms. CASEY-LANDRY. —echoing in terms of what we heard from Rusty and Mac—I think it is easier to use their first names, that really what we need is written guidance from the regulators.

And I realize that Chairman Powell has been wonderful in terms of his forthcomingness, but the reality is that what is said here in Washington and what is communicated in the field to the examiners can be different.

And we need to make sure the examiners have the written guidance that they can rely upon and the banks can rely upon that.

Chairman BACHUS. And actually, we are working on a Katrina BSA proposal for them, something in writing, and hopefully—and I know Chairman Baker—we plan to have something along with cooperating—I know Ms. Hooley and Ms. Waters are working on some things.

Let me ask this question, and this, I think, is more of a long-term question. We have all talked about the properties destroyed by the flood waters and the storm surge outside this designated flood plain.

My question, and I guess I could ask it different ways, but I will just say should the Katrina victims outside of the designated flood plain be compensated in any way by the National Flood Insurance program? How would you recommend this compensation be structured? I know that is a tough question.

Maybe two parts: Should they be compensated—

Mr. ELLIOTT. Yes.

Chairman BACHUS. —and how?

Mr. ELLIOTT. Yes. I mean, we have people down here—and I am not trying to place this off on someone else, but—that through their process of purchasing homeowner insurance were told by their agent look, you are not in the flood plain; you have never been flooded before, not even in Camille; this is a waste of money.

And that is what people have judged—we have credit unions that go back 100 years, through all of the flood plain mapping and everything else. In the absence of a 100-year flood plain history, they will look at what happened in Camille—

Chairman BACHUS. And I know, you know, CUNA, in their written statement, Mr. Elliott, you did address that.

Mr. ELLIOTT. Yes.

Chairman BACHUS. And I guess I am curious about other—is there any reaction?

Mr. GIBBONS. I may comment on this. You ask about flood insurance compensation and extending the National Flood Insurance program to those not already covered. They were outside of flood plains.

It may not be a matter of extending flood insurance. It may be a matter of finding a way for them, those people, to rebuild, incurring some kind of debt in addition to what they already carry on the house that no longer exists.

But fundamentally, what we are talking about is some kind of Government assistance.

Chairman BACHUS. All right.

Ms. CASEY-LANDRY. I would say that we would—America's Community Bankers would support some type of support. I think whether it is an extension of the flood insurance or maybe more appropriately, as was just stated, some sort of assistance because otherwise if those borrowers turn around and walk away from the bank, the bank is going to be left with a loss, and we do not go forward anyway.

So we need to think creatively about providing up a solution so that the bank continues to have a valued asset. If I have got some of my members today with 40 percent to 50 percent of their portfolios or higher that are insurance claims, those are the ones that are insured.

Then there is the group that are the no insurance, and so they also—they do not know what the value of their assets are. So I do think we need to look for some type of a solution, and it could be the flood insurance, or it could be another type of fund, to help those customers.

Chairman BACHUS. You know, as a policy, what we had were people who said flood insurance—there is no Federal flood insurance because you are outside a flood area when, in fact, along the coast we should have anticipated storm surges, that they were, in fact, within an area which was prone to flood or—which was so predictable in New Orleans.

Mr. GIBBONS. Well, we could say we should have anticipated, but rest assured—and be right or wrong about that, but rest assured, any lender will anticipate this will happen again.

Chairman BACHUS. Yes.

Mr. DEEVER. Mr. Chairman, I might add that the storm surge in this storm in Mississippi was over twice the storm surge from Hurricane Camille, and that was our benchmark, so we do not stop talking about Camille and start talking about Katrina.

And like Charlie said, there are many, many areas that got flooded that were out of the flood zone, and there likewise are many, many issues related to insurance. And of course, everybody, even in the flood zones, you know, I guess if they have Federal related mortgages they are required to have the insurance, so there are a lot of issues involved in that and, frankly, probably some insurance disputes over wind, water—

Chairman BACHUS. Sure.

Mr. DEEVER. —which came first, this type of thing, so—

Chairman BACHUS. Which obviously we have all been—we have all heard about those.

Mr. DEEVER. But we would appreciate the opportunity to work with the other members of—

Chairman BACHUS. Thank you.

Mr. DEEVER. —the panel and the committee on that.

Mr. CLOUTIER. Mr. Chairman, on that, I would like—

Chairman BACHUS. And actually, my time has gone over.

Mr. CLOUTIER. I would just like to add one quick thing to that, just 20 seconds. Everybody—

Chairman BACHUS. Oh, I am sorry.

Mr. CLOUTIER. —in that area played by the rule book. They had the rule book. They had the rule book for flood insurance. They had the rule book of how to run banks. These were all one and two rated banks. They all played by the rule book.

Now we are only talking about who is going to pay the price because Hurricane Katrina did not play by the rule book.

Chairman BACHUS. All right.

Mr. CLOUTIER. And that is the question.

Chairman BACHUS. All right. And I guess another thing I am saying—we are going to spend all this money. You know, that ought to be a component of it, at least—or be very much under consideration because there will be money that maybe will not be as efficiently spent, but this money obviously would be spent to rebuild homes of people who acted in a prudent way, you know, and those that loaned the money acted in a prudent way.

At this time, I—you are—okay.

Mrs. MALONEY. I want to thank—

Chairman BACHUS. Ms. Maloney?

Mrs. MALONEY. —all of the participants for your really heartfelt testimony today, and as one who represents New York City—and

many of my constituents suffered; our whole city suffered—along with all of my colleagues, we are united and determined to do absolutely everything we can to bring assistance and support to the victims and to the Gulf region that suffered from Katrina.

To offer one lesson from 9/11, when you have concerns—and you have raised many today—it might be helpful if Treasury had one point person that could respond to the concerns coming in from the field, whether it is the written guidelines that are critical—I hear all of you are really rewriting the book in order to respond to the people, the credit unions, the banks, the community bankers, especially those of you who have a geographic area—are really doing everything you can.

And I join with my colleagues on the other side of the aisle to work to get these considerations in place to help you do your job.

I would like to ask Diane Casey-Landry from the Community Bankers Association—and you certainly are supremely affected because of the geographic concerns of community bankers—in your written testimony, you talk about the idea that the Federal Government should develop a mechanism for spreading risk for natural disasters. We obviously need to respond to this disaster, but we need to think for long term of ways we can better respond to disasters in the future.

And my question to you, Ms. Landry, is, is there a particular model for doing this that you would like to put forward, or what features should you have—would you like to see in such a plan? Would you elaborate?

MS. CASEY-LANDRY. Over the years, as our members from across the country have faced various natural disasters, whether they be the hurricanes that hit Florida last year, the Red River flooding that occurred a few years ago, the Mississippi River flooding—I mean, you can go through and find natural disasters that are unexpected, as always.

We have thought that the development by the Federal Government of a way to spread the risk across all the holders for insured properties—in some ways, we did that after 9/11 with the terrorism reinsurance. But if you look at what happened in Biloxi, in the Gulf Coast region, in New Orleans, you could say that we have a disaster there that was to the same effect of a—I guess you would say a natural element of a terrorist attack.

It took away the infrastructure. It is going to expose the insurance carriers, all the holders of commercial real estate property, you know, with large, large losses. And it is something that has been unprecedented in amount.

We do not have a conceptual plan in place right now. This is an idea that we had circulated literally, oh, probably 3 years or 4 years ago, and we thought that Katrina gave us an opportunity to remind Congress that this is something that we could be looking at as a way to spread out the risk in a more reasonable fashion so you do not have it localized, whether it be in New Orleans or Biloxi or New York or in the Red River region. It would provide a way to make sure that the holders or carriers and the Federal Government serve a role.

Mrs. MALONEY. I think that it is an important concept. We are one country, and a disaster is a disaster. And it is something we could not control, certainly natural or terrorist attack, or whatever.

And from the perspective of New Yorkers, of all the things that the Federal Government did, our colleagues did in Congress, by far the most important was the Terrorism Risk Insurance Act. We could not put up a popsicle stand after 9/11 until we got the Federal support to spread the risk.

Incidentally, it has not been reauthorized. We need to get that reauthorized. Otherwise, building will not move forward. It cannot move forward. And you will face the same challenge in the Gulf region for insurance and for protection against disaster.

So I, for one, would like to work with you on that proposal. I think it is an important one, and I think it is one that could help us as we go forward in risk sharing and being prepared for disasters that move forward.

I would like to ask Rusty Cloutier—and you spoke really very movingly about the efforts of yourself and other bankers in the region responding to the needs of the individuals with all their crises. I would like to ask you if the State of Louisiana has—they sent my office, and I assume many others, a memo from the National Association of Bond Lawyers, calling for several steps.

One appears to be something that you also recommend and mentioned briefly in your remarks, and that is the creation of a new tax-exempt bond. This would be similar to the Liberty bonds that helped New York City recover. And have you had a chance to review the proposal that was put out by the NABL? And can you comment on this suggestion in more detail?

Mr. CLOUTIER. I really can not. I have not had a great deal of opportunity to review it. But as I said, I have been working very closely with the city of Lafayette and the State of Louisiana on our relief actions for the community and working with the people that are affected in New Orleans.

And I will tell you, we will have to really think out of the box. I mean, Mayor Nagin's statement this morning—just realizing what he said. He cannot pay his police or firemen at the end of this 2-week period that is coming up.

He is hoping to work with banks to get some funding. We have been working with the city of Lafayette and the Cajun Dome to fund their operations, and they are awaiting money from FEMA as we speak.

So it is going to have to come—a lot of creative solutions. The State of Louisiana has lost one-third of its economy, one-third. It has been destroyed. Now, it is going to take time to build this back, and then, hopefully, a lot of people will come back to the community.

And, you know, we walked a very careful line of helping people who have evacuated New Orleans but not, at the same time, trying to settle them into our towns too quickly because we want to help rebuild the city of New Orleans.

But to answer your question, I am not totally familiar with the bonds. I know a lot of people are working on it. The State of Louisiana—the State of Mississippi also—I think I can speak for

them—have had huge financial losses. The numbers I heard in my last Federal Reserve meeting concern me a great deal.

And so I think both of them are going to have to be very creative on how they finance those States and those areas.

Mrs. MALONEY. My time is up, and my colleagues and I are united and determined to help in any way possible. Thank you all for your testimony.

Mr. BAKER. [Presiding.] I thank the gentlelady.

Mr. Cloutier, I want to engage you in trying to help committee members understand the nature of the potential losses associated with the disaster.

If you were a commercial lender in Venice financing a grocery store operation and the loan was based upon 3 years' prior income tax returns demonstrating cash profitability collateralized by the commercial building structure and the structure's gone, the customers are done, the store owner's gone, obviously you would hope that there is some private insurance to help pay for the structure, but there is no business operations loss coverage and no prospect for recovery of the structure and initiating commercial activities again.

Let's just assume this is a \$1 million package for operations and collateral for the building collateralizing the loan. What do you do with that on your books?

Mr. CLOUTIER. Well, Congressman, that is a big, big question. And a lot of banks are asking. I have \$25 million worth of participations in the city of New Orleans that we do business with, and we are looking at each loan individually.

You look at what other business operations those people may have had, were they outside of the area, because maybe we were fortunate in this instance they had an operation in Venice, and maybe they had another one over in Homer and they can pay us back.

But let me give you just some of the horror stories I am hearing from New Orleans. People who had parking lots financed—those things are shut down for a year—how do they pay their notes? Cleaners, doctors, you know, people who have lost their whole practice—and you know yourself the number of attorneys that have moved to Baton Rouge and Lafayette—they have had to reestablish themselves.

The other day when I was at the shelter I talked to a few people who had, you know, very small businesses in New Orleans, and they said I have lost my business; I have lost my home; I have lost everything. You know, they do not know where to turn.

And I think, Congressman, just to be very honest with this committee, it is going to take 6 months to 12 months just for us to get a hold on some of those questions in the banking industry. And certainly, we would hope the regulators would give those banks a great deal of time to try to be able to consider what is going to be done.

Can that person get an SBA loan to reestablish his business? Can we restart it? Can we work with him? Today, Congressman, I have got to be honest, and I want to be honest with the committee, there is no answers today on the Gulf Coast of Mississippi.

Mr. BAKER. Well, let me go on a little further. Let's take the case where someone knew they were in a flood zone. They have acquired flood insurance. And it is a \$500,000 house.

Mr. CLOUTIER. Right.

Mr. BAKER. The maximum payable for structures under the flood insurance program is capped at \$250,000, \$100,000 for contents, so for a \$500,000 loan there is no payment from the private insurance because it was a flood event.

The flood event is total capped at \$350,000, so the bank has an exposure of \$150,000, and the person may not be there, and the house is not there, so the collateral is no longer there. That is also a problem, is it not?

Mr. CLOUTIER. That is correct, Chairman. I will tell you that many of my colleagues in New Orleans have given me figures anywhere from 30 percent to 60 percent of their loans are in a great deal of question today.

Mr. BAKER. Let me—

Mr. CLOUTIER. They do not know the answer to exactly the points you are making, that they may had limited flood insurance, no flood insurance.

Mr. BAKER. Or even if they had the maximum, the maximum—

Mr. CLOUTIER. The maximum—

Mr. BAKER. —the maximum flood insurance—

Mr. CLOUTIER. Correct.

Mr. BAKER. —that would be paid is \$250,000, period—

Mr. CLOUTIER. Right.

Mr. BAKER. —business, residence, otherwise, \$100,000 on contents. Now, let's jump to the situation where the structure's lost by fire, and it is a \$500,000 policy and replacement value is \$400,000.

It is my understanding that you get the face value of the policy paid of \$500,000 even if the loss is only \$400,000 because that is what you paid for. So as contrasting fire coverage with flood coverage, you can not buy more than \$250,000 under flood. If you buy \$500,000 on fire, you get the \$500,000 even if the loss is only \$400,000.

Now, something does not make sense with this. I do not know how to—in the face of the catastrophe, I am becoming a lot more conversant with claims paid and claims not being paid.

And then we jump to Mr. Deaver's concerns. How do you establish that it was the wind that took you down when you had a storm surge that came in some hours into the storm, and did the surge take you out, which mysteriously to me is called a flooding event, although it is wind-driven, and not covered?

So you could have someone in good faith insured to the limits, \$1 million policy on a \$1 million house; it is gone; oops, that is the storm surge, no coverage.

Is that correct, Mr. Deaver?

Mr. DEEVER. That is what is being cited in many cases, but I would echo what Mr. Cloutier—

Mr. BAKER. Cloutier, Cloutier.

Mr. DEEVER. —Cloutier, I am sorry.

Mr. BAKER. That is all right. We are working on you.

Mr. DEEVER. Thank you, Mr. Chairman.

Mr. BAKER. We are becoming bilingual here.

Mr. DEEVER. There are a lot of issues, and this is one of them—and of course, this is not just going to happen one time, either. But my chairman of my association said we have not got that far, or we have not got our hands around it, whatever words they used, and that is similar to what Mr. Cloutier has said.

But, you know, we do not know what is going to happen here. And there are going to be disputes, and there is going to be, unfortunately, I am sure, some litigation. There needs to be some relief for these people.

Mr. BAKER. Well, even beyond—if we finally determine that storm surge is a wind-driven event and not a flood, then there is going to be solvency questions for the insurers, who have never previously priced that into their premium structure.

So we are going to drive people out of business by changing jurisprudence on the issue of wind versus water. This is dangerous territory.

But at the same time, if we do not acknowledge the difference between storm surge, fire, and flood coverage, and we leave banks out there to hang who have no collateral, who are going to get written up by regulators, whose customer base has been dissipated because they have moved to other places in the country, the economic rollout of this is devastating.

If we just look past the energy question, we look past the grains in the Midwest who can not get exported because 60 percent of that goes through the Port of New Orleans, we add on top of that the banking crisis, this thing goes on for decades, I am afraid.

Mr. DEEVER. Mr. Chairman, the amazing thing about this situation is the issues just in the last 2.5 weeks have changed. They change every day. And when we think about something like what you are describing, it is out there, and it has got to be dealt with.

But there is a lot of other issues between here and there, and there is a whole lot more to work on, so—

Mr. BAKER. It is incredible for people, for example, in St. Bernard that is today still under 6 feet of water—a person files a claim to get their emergency assistance, and they are told we can not give you that assistance until we verify the loss. Well, the whole parish is under six feet of water. It ought to be pretty simple, but apparently it is more complicated than I understand it.

Mr. Hinojosa?

And let me point out, Ms. Waters has waived her time. Mr. Hinojosa has a schedule limitation.

Mr. HINOJOSA. I want to thank the Honorable Maxine Waters for giving me this opportunity so that I can go on to the event where I am going to be the keynote speaker.

I want to express my sincere appreciation for you, Mr. Chairman, for holding this hearing today. I think it is imperative that we provide any and all financial assistance to the victims of Hurricane Katrina as soon as possible.

Listening to each and every one of the presenters on the panel has been very, very informative. And you are right; we do not understand it as you do, but thank you for coming to Washington to educate us on this issue.

And I want to talk about one possibility that would certainly make your work a little easier, and that is talking a little bit about

the work that is being done and can be done with regard to financial education literacy.

I have been working with Texas State Banking Commissioner Randall James and Steve Scurlock with the Independent Bankers Association of Texas on the Katrina relief efforts.

We have worked to ensure that all the banks in Texas are provided with as much regulatory relief and liquidity as necessary to accommodate the increased demand for funds caused by the \$2,000 debit cards and now the checks being cashed by each household impacted by the hurricane.

I also worked with Commissioner James and with J.P. Morgan Chase on ensuring that households that were supposed to receive the debit cards last week or EFIs and checks this week would know how to use them, why not to trade them, how to protect them, and possibly suggest what to buy with them.

However, as we all know, the issuance of those \$2000 debit cards by FEMA last week was a fiasco. As co-founder and as the co-chair of the Financial and Economic Literacy Caucus, I have tried to ensure that the individuals and households that receive these checks receive some sort of guidance on how to use the funds without interfering with their personal liberties.

It is imperative that we provide the victims of Katrina with some form of financial planning now, as opposed to later. Timing is everything, and one door has closed on us already. The victims should have been provided with some explanation on how to use the debit cards.

To ensure that another door opens, I have co-authored and co-signed a letter dated September the 8th, 2005, which I have in my hands here, and it was co-signed by my co-chair, Congresswoman Judy Biggert and several members of the Financial and Economic Literacy Caucus. We sent it to the Financial Literacy Education Commission housed at Treasury. I am glad that Congresswoman Biggert inserted the letter earlier today into the record.

And, Mr. Chairman, I want to inform you that we have yet to receive a response from the Treasury. And I would urge them to respond as soon as possible, and we need your help. Someone needs to coordinate, at least on this issue, because FEMA has failed to do so.

I believe that providing financial education using the Financial and Economic Literacy Caucus, private sector, and nonprofit group could be one way in which we could answer lots of questions for these people that you are telling us about, be they small business, medium-sized business, or just individuals, professionals like you pointed out, doctors, and lawyers, and folks who give services to folks in Louisiana, Alabama, and Mississippi.

We want to use all the available literature and information to provide hurricane victims with financial planning assistance, but without the commission responding to us and giving us some Federal assistance, I do not see how we can be of help to disseminate that information.

Mr. BAKER. Would you yield on that point?

Mr. HINOJOSA. Yes, I yield.

Mr. BAKER. I just want to note for the record that I have signed on to the gentleman's letter and also will be meeting with the Sec-

retary of the Treasury this afternoon and intend to bring that to his attention.

Mr. HINOJOSA. Well, know that Congresswoman Biggert and I look forward to seeing the results, and we have about 67 members of Congress as part of our caucus. They have staffs, and we are willing—Texas opened up its heart and its State to help 250,000 people, and they are asking for information.

They are asking for answers to their questions. So know that we have staff in Texas and the other States impacted, Alabama and Mississippi and Louisiana, who also want to help. But we need to have some coordination among the Federal agencies to make it happen.

With that, Mr. Chairman, I yield back the remainder of my time.

Mr. BAKER. I thank the gentleman for his comments.

Mr. Price?

Mr. PRICE. Thank you, Mr. Chairman. I appreciate that.

I want to, once again, thank each of you for coming. I also want to commend you again on the work that you have done. Those of you in the area, you have been through a nightmare most of us can hardly imagine, and I want to commend you for the work that you have done. And for those who represented the associations, I want to thank you so much for the work that you have done and your employees and your members are doing.

As we have watched this play out over the past 2.5 weeks, it has been very discomfoting at times to see the images that we see across our televisions. But I am heartened by the enthusiasm and the optimism with which Americans all across our country have responded in a way that literally is unprecedented. And I know each of you have played a great part in that.

I am always trying to look forward to how we—I am a surgeon by education and profession, so if I can not fix it, then I have got to find a way to fix it. So how do we move forward at this point, and how do we make it easier?

And I would ask each of you if you would not mind giving me one or two little pearls about whether or not Federal banking laws are currently getting in the way of a solution and what we in Congress might be able to do to specifically assist in moving us forward as a Nation and as a region that has been harmed so much.

Mr. DEEVER. I will go first on that. Frankly, as I said earlier, we have been focusing on the immediate needs. I have lists of issues—a lot of them are long-term issues—that we really and our members have really not had time to really look at. As far as the immediate needs; it has been cash needs, it has been getting the benefits to the people that have them coming.

And as far as Government getting in the way, we have had issues with BSA, CTRs, all the things that go with that that have been discussed, I think, a good bit here today. That is an immediate concern. As Ms. Casey-Landry said earlier, we would like to get that in writing because—and Chairman Powell said you all probably want this in writing. We said yes, we do, because that is just an immediate need.

So I have added to my list, sitting here today listening to everyone discuss it, environmental things. I was taking some notes earlier. Those are things that in Mississippi, because we do not have

water standing everywhere, we have not maybe focused on those as much, but they are there as well.

Mr. PRICE. And we hear that. This committee, though, can address—

Mr. DEEVER. Right. Right.

Mr. PRICE. —specific banking law, and I wondered if anybody had any comments about Federal banking laws that are currently in place that might need specific attention by us.

Mr. DEEVER. If I could add one more thing real quickly, concern that some folks in my association, in the ABA, have that some of the immediate—the most stricken areas—you know, they are not here today, and we do not want this to go—to be dealt with with folks like me sitting here talking to you when the folks that really need to be dealt with are not here.

And of course, I know Chairman Powell and others have been down, Congressmen in his district, but we just want to make sure that we get those needs assembled, and we get our hands around them, and that we work with the Congress on a long-term basis to prepare for anything—

Mr. PRICE. Thank you.

Anybody have any comments about specific law? Please.

Mr. ELLIOTT. Yes, we have a bill, H.R. 2317, the Credit Union Regulatory Improvements Act. Inside of there is encompassed PCA that we need relief on long term from that standpoint, and then short-term authority for the regulators to waive certain requirements in PCA over the short term.

Mr. PRICE. Thank you.

Ms. CASEY-LANDRY. I will jump in and say that echoing on the BSA and the Patriot Act issues, but let's go over to the job side. I think we need to get SBA and we need to get some prompt action and some creative funding out of the Small Business Administration so that the banks can begin lending to the small businesses.

If people do not have jobs to come back to, they will not come home. And there have been an awful lot of small businesses that were destroyed, too. And I think the paperwork and the dotting of the I's and the crossing of the T's that is required through the SBA and how they do their lending today will actually stall the process, and we need to get that moving faster.

Mr. PRICE. Thank you.

Mr. CLOUTIER. I think the one thing—and, hopefully, I heard today that we are working on a long-term national disaster policy for financial institutions. I mean, we needed the Government guarantee on checks 17 days ago. We needed it badly. And, you know, a lot of people got nervous without having it.

We need the power either given to the FDIC board or to the Federal Reserve board that when a national disaster happens, they can impose powers to do away with Government regulations in the short term to give that breathing room that becomes so important.

Because the thing I worry about every day is not Katrina. I still worry about it a lot, but what if we had another hurricane? What if we had a number five that hit Houston? What do we do next? What do we do if one hits the East Coast? You know, we have got to have a long-term policy.

And I will speak for the bankers in my area. They not only want to know what we are going to do today, but if we rebuild New Orleans, what rules will they know going forward? And I think that is very critical.

Mr. PRICE. Thank you.

Anybody else? My time is short.

Mr. GIBBONS. If I could, I think, from my perspective, having been in Federal policy making for a number of years in crisis situations, crises that occurred not because of natural disasters but occurred because of greed and hubris in some cases, the Federal Government's really got to establish its role here.

It is very difficult to trim back on safety and soundness and compliance with laws and push bank regulators to do that when normal circumstances exist. But the Federal Government has to realize that this is not a normal circumstance. This is worse than 9/11 ever thought of being from an economic damage standpoint.

And there will need to be some kind of consideration or forbearance of Federal funding on many fronts, whether it is forbearance in the short term for Bank Secrecy Act laws or for the accounting. Going to the gentleman's question, how will you account for that, it is a loss today. That is how the accountants expect it to be accounted for.

So the agencies are making some strides at answering some of these questions, but there is a lot of other questions that have to be answered and then a unified approach taken by all of them.

Mr. PRICE. Thank you. My time has expired.

Mr. Chairman?

Mr. BAKER. Ms. Waters?

Ms. WATERS. Thank you very much, Mr. Chairman and members.

I would like to try and have a frank conversation with you bankers about the situation that we are involved in. I think this may be a time when we can use this as an opportunity to build some new relationships and to get rid of some of the problems that have plagued the banking community as it relates to minorities and poor people for a long time.

The HMDA data is out, and you know what that HMDA data is saying, that African Americans are the victims, basically, of predatory lending and that we pay more despite like income. This kind of information keeps us focused on fighting with you all the time.

I would like to see if we can not use this emergency situation as a way to demonstrate goodwill. Number one, I am certainly prepared to do things that I never thought I would do, like relax the bank secrecy laws, the Know Your Customer laws.

I think in this case, where we have people without identification and other kinds of things, that, you know, we should support something that would make life easier for the customers and for you.

I am also concerned about the reserve requirements. You talk about, you know, all of this cash that you are trying to make available. You are talking about the loss that you are confronted with, with people whose homes are gone, who had no flood insurance and, you know, you have no collateral now.

I am worried about, you know, how we can make things a little bit easier and relax whatever laws make good sense in order to

keep you operating. But you are going to be a part of rebuilding New Orleans.

And I am so worried about the conversations that I hear about not wanting poor people back in New Orleans, not wanting the same crowds back in New Orleans, hoping some people that were sent to Utah do not get back to New Orleans.

And you are going to be important players in this. And what you do is going to help determine whether or not some of those people who did not have flood insurance can get back and can get home. Now some of this property has been handed down, and some of those homes are paid for. Others there are mortgages on. But they were not required to have flood insurance.

As I understand it from some of the staff people that I have been talking to, if you were protected, so-called, by a levee, that you were not required to have flood insurance. So we know a lot of them do not have it. They were not required to have it. And if you have outstanding mortgages, I do not think you should bear the brunt of that loss. And I think there are some things that we can do.

As you know, in the reform legislation that we dealt with for the GSA, we came up with a creative idea by which we would have 5 percent of profits monies used for low-income and moderate-income housing developments.

And there is no reason why some of that money can not be considered for this area that we are talking about in helping to relieve you of the awesome debt that you may be left with.

So I guess what I am saying is I think that a lot of possibility for coalitions on both sides of the aisle coming together to try and do everything that we can not only to help our constituents but to help the financial services community.

And my question is whether or not you see your role as helping poor people and working people reestablish where they want to be and not be a part of any kind of plan that would exclude them from coming back and getting these jobs and getting contracts and being back where they want to be. Anybody can answer this who wants to.

Mr. CLOUTIER. Ms. Waters, I will be very happy—and first of all, thank you very much for coming to Lafayette. I know you were there, and we truly appreciated your visit.

Let me tell you that the community banks that service the New Orleans area—they are there to service that community. We have three African-American banks that are very much affected, and I am very proud of my working relationship with the NAACP. I was honored last year by the NAACP, Dr. Ernest Johnson, in Baton Rouge for the relationship that we have in working with them.

It is going to be a challenge. It is going to be a big challenge. But, you know, the one thing this did show the United States of America—there is a lot of poverty in the State of Louisiana.

Ms. WATERS. Yes.

Mr. CLOUTIER. And I will tell you, there is a lot of very significant financial institutions that have no interest at all in the State of Louisiana. The community bankers in there that we are talking about today have been there trying to build the State, trying to make jobs, and trying to make things happen.

The same thing with my two friends from the credit unions here, and it is not usually we are always in agreement, but we are on the ground making things happen. And I promise you that the banks in those areas are trying to rebuild their communities, and they understand the problem.

But it is hard for people in this room, I think, sometimes to understand the problems when—I mentioned about the debit cards. I went to the Cajun Dome where I know you visited, and they were handing out debit cards to people who never even had an idea what a business relationship was.

Ms. WATERS. Yes.

Mr. CLOUTIER. They lived in a cash society, in a total cash society. And their lives have been destroyed, and now they are trying to change their lives again by how they do things. So it is a long, hard road.

You pointed out a lot of problems we have in the State of Louisiana, but I promise you that the bankers in the State, the community bankers, are going to work as hard as they can to make it happen.

And you are right; a lot of people played by the rules, and I bring that up again, and the rule book just was not right. Katrina did not play by the rules. And we certainly hope that Congress remembers that when it looks at—as all of you all talk about flood insurance and other things.

But I agree with a lot of your comments. We need to work hard to make those—

Ms. WATERS. If I may, Mr. Chairman, just one more on the reserve requirements.

I think I am thinking about this right. Are there some questions that you may have about what can be done in that area, or is that significant in looking at how we can help to relieve you of some of the regulations and the laws that govern you as you go through this crisis?

Mr. CLOUTIER. Well, Ms. Waters, I will tell you, you know, one example is I serve Louisiana, and I am not opposed to the Community Reinvestment Act because I do a lot of work in my area, and I do not do it for the Community Reinvestment Act. I do it because I was growing up as a poor boy from Morgan City, Louisiana. And I have been very fortunate in life.

But I can tell you there is a lot of, as I mentioned before, large financial institutions that I do not know how visible they are going to be in the city of New Orleans in building it. I promise you the community banks that are there are going to rebuild that city. They are going to do the work they have to do.

And I just want you to remember those in your deliberations, that these people are going to need some help, because they did not have offices all over the United States. They only had offices in this area. And they are working very hard to get back operational.

Ms. WATERS. Don't you have to show a prudent reserve on your books of some kind in order to do certain volumes of business?

Mr. CLOUTIER. I think, you know, a reserve would help. Of course, the question is, as Congressman Baker raised very well, are there going to be some relief from the flood. That is the big problem.

If the Government said today look, you know, those that did not have flood insurance we are going to take care of if they played by the rules, I think the banks would be in pretty good shape pretty fast. That is the big question. They played by the rules, and the rules have now changed.

Mr. BAKER. If the gentlelady would yield on that—

Ms. WATERS. Yes. I would like to yield.

Mr. BAKER. —I am trying to help the gentlelady with focusing on her question. Going to my illustration of losses—

Mr. CLOUTIER. Right.

Mr. BAKER. —and you write those off, it leads to a decrease in capitalization. And under the prompt corrective action requirements facing the regulators, they have no leniency. They have to do what the law now says.

Ms. WATERS. That is right.

Mr. BAKER. And I think the gentlelady is trying to make the point that unless the Congress acts specifically in a geographic way to say because you are now underwater or environmentally hampered, or whatever, because of particular reasons, the regulators shall not pursue the obligations under the prompt corrective action statute.

Ms. WATERS. Absolutely. Thank you very much.

Mr. BAKER. And that is what the gentlelady is trying to drive home.

Mr. CLOUTIER. And, Congressman, that is exactly what we would need. We need the floor to be taken off for a period of time. I do not know what that period of time is, but there is a floor, and—

Mr. BAKER. Well, I am going to abuse the lady's time one more time.

Mr. CLOUTIER. Yes.

Mr. BAKER. Let me ask this question. If I am the regulator and I am given authority to take reasonable action in that world, is that okay for you? In other words, rather than us specifically set a time line—St. Bernard is still underwater. Jefferson is not. Ought to be different rules depending on on-the-ground conditions.

Is that something that you are comfortable with, if we give the regulators that type of discretion to—

Mr. CLOUTIER. I think you have to give that discretion to someone that they have a period of time to do away with the floor so that they can work through it. As you well know, Congressman, in our district every area is a little different. St. Bernard is much different than the West Bank of New Orleans, and so you have to work through that.

But yes, I think that is something that could work. We have to think out of the box here a whole lot.

Ms. CASEY-LANDRY. Mr. Chairman and Congresswoman, let me just add, I think if the regulators were directed to provide some guidance—I think they already have sufficient flexibility today.

One of the first issues, before we get to the PCA issues, will be as the insurance claims begin to come into the banks and they get the cash, we have been told that the banks will be able to hold that off balance sheet so they will not have to hold capital against it. That will be—that the regulators—

Ms. WATERS. That would be good.

Ms. CASEY-LANDRY. —have already indicated they are willing to do that. As we go through this crisis, as we go down the many months and find out the outcome of these loans, we may then have to start to deal with the PCA issue.

But all the banks in the New Orleans area—I can not speak for Mississippi—but were very highly rated banks, one or two rated institutions, extremely well capitalized institutions. So they have a good cushion. And I think that is going to allow the regulators some flexibility.

But what we do not want to see is a bank that has been a well capitalized institution under PCA suddenly becomes an adequately capitalized institution. You have dropped two categories, and you are not looking to be criticized by the regulators for falling from category one to, you know, moving down.

So there, again, Congress could be encouraging the regulators to provide the flexibility there so that they do not harm the institutions as they work through this.

Ms. WATERS. That is precisely, if I may, Mr. Chairman, what I am talking about. And I think you said it very well. Banks with good reputations, you know, who have been around, who have been well capitalized—if all of a sudden they are confronted with a situation where they have to record, you know, these losses, we do not want them to all of a sudden be viewed or regulated in certain ways that make them appear as if they have not been operating properly.

We want to be able to do something that would relieve you of that in this crisis. I do not know how that is to be designed. I would think that you guys would be the ones to help formulate how that is to be done and get it back to us so that we can give support to it. Thank you.

Mr. BORDELON. Mr. Chairman, could I respond to that? For credit unions, it is true as far as for the banks and thrifts. The regulators do have flexibility to adjust our PCA levels, but for the credit unions we are on the statutory requirement, and the regulators do not currently have that flexibility.

So in our written testimony from NAFCU and, I think, from my friends at CUNA, we have requested that Congress take a look at PCA authority levels for NCUA and adjusting those levels as may be needed.

And to get back to your first point on as far as opportunities to rebuild New Orleans, our credit unions stand with you, definitely, with that issue of rebuilding the lives of our citizens in New Orleans.

And I think I heard you say on T.V. maybe down in Lafayette that this storm hit on the absolute worst day, on the 29th, and not only did it affect the really poor people who are depending on their Social Security checks and so forth, but we had traffic in our lobbies of individuals who are employed, who are working good jobs, and are living paycheck to paycheck.

And that payday was not until Wednesday or Thursday—

Ms. WATERS. That is right.

Mr. BORDELON. —and they were in dire need of cash. And I think all of us speak here that we would be willing to work—as trade associations and as financial institutions, to work with the committee

for short-term needs that need to be addressed immediately and the longer-term solutions, including financial literacy.

Ms. WATERS. Thank you very much. And we certainly—in this conversation I certainly want you to know we include credit unions in the considerations for protecting you from regulatory or statutory demands on you.

And let me just say that the Cajun Dome had a hell of an operation going there. It was fantastic. The doctors, all of the medicine that had been given by the pharmaceutical guys there—it was a real big operation, one of the best that I saw. And you guys are to be commended.

Mr. PRICE. [Presiding.] Thank you, Ms. Waters.

Appreciate the members' patience and the succinct answers.

Mr. Green?

Mr. GREEN. Thank you, Mr. Chairman.

And I would like to thank Congresswoman Waters for the comments that she just made. And I would endorse all that she said.

Dr. King reminded us that life is an inescapable network of mutuality tied to a single garment of destiny. What impacts one directly impacts all indirectly. And I think we are seeing evidence of that here today.

We have come to realize now that this really is a small world and that we really do need each other. And I am very proud to see the way we are bonding together to confront what may be one of the greatest crises of my lifetime.

I am going to say that, again, the NAACP I think is indispensable. I would hope that this is not just a temporary relationship. We really out to have a marriage, and we ought to consider the fact that under these circumstances the NAACP's stamp of approval may be comparable to the Good Housekeeping seal of approval.

The NAACP's credibility can add a lot to what we want to accomplish. I want to pledge my support to help the banking industry, the credit unions, because I think we all get it now. I think we all understand how important it is to be accessible and available and that credit is important for all persons in this country.

I do want to ask a question about the moratorium on loan payments. I have read 3 months voluntarily being—that is a number that some of the banks are using, lending institutions are using. Is that enough time?

That is my question because 3 months—many people will not have had an opportunity to assess the damages, to get the appraisals, to get the insurance company to actively engage them in the process. So my first question is do you think 3 months is enough?

And I will ask the NAACP representative to give an initial response.

Mr. SHELTON. First, thank you very much. As you know, we have members in each and every one of the affected areas. And of course, our members in other places are working with those in the affected areas, so we are hearing the stories and hearing the plights of those that are experiencing this awful travesty right now.

The short answer to the question is no. I think 3 months is just the beginning of really being able to assess what is going on. Even in our country we talk about how long it takes under normal circumstances to transition from one job to another. Experts tell you

you need at least 6 months to be able to make those kinds of transitions.

And in this case, the entire infrastructure that provides opportunities along those lines have been eviscerated in many cases as well. So certainly, as we talk about 3 months, we are grateful that that is the beginning of a conversation as we assess the needs across the country.

But indeed, I think as we look at what is happening in places not just in Louisiana, but even as we have talked to many of our friends in the Gulf Coast area of Mississippi and other places, much more time would be required.

Mr. GREEN. Thank you. I feel a kind of kinship with all of you. I am from Louisiana, by the way. I was born in Charity Hospital. So I relate quite well.

And, Rusty, you remind me of a lot of the folk that I grew up with and that I know. Would you give your opinion about the 3 months, please?

Mr. CLOUTIER. Well, Mr. Green, first of all, thank you very much for your comments, and congratulations on being born in Louisiana. But I would tell you that in our bank, in most community banks I know, they are handling everything on a one-on-one basis.

I have four people full-time. Their job right now is to talk to people who are in the devastated area. We do not have a policy of 3 months, 4 months, 6 months. You know, each case stands on its own. You know, it depends upon, you know, what happened, how soon they can get back to work, when they can get their business back up and running.

And I think you will find that pretty much standard in community banks, and I am sure it is the same thing in credit unions. They are very flexible. They are able to be flexible.

I think the standard you hear of 3 months, 6 months are some large financial institutions that are just saying from a headquarters somewhere far off, this is what we are going to do.

But I can tell you in Louisiana we have many that we do not have any idea when they may be able to pay us again. I am very honest when I say that. We do not know when they may be able to make another payment. And, you know, we are working with those very closely and trying to help them figure that out.

Mr. DEEVER. Congressman Green, if I might just say something. I first of all would like to compliment Congresswoman Waters, who I do not think is in the room now, and yourself. I do think long term this is a great opportunity, certainly, for us to come together and to come up with some long-term solutions.

As I said earlier today, we are trying to get our hands around immediate needs, and that is not the easiest thing to do, as you can respect. And like Mr. Cloutier said, each institution is dealing with this on a one-on-one basis. We do not kid ourselves and think that 30 days is enough in hardly any cases, but that we are going to have to work with the lenders—with the borrowers, excuse me, on these issues.

And again, I think it is a great opportunity for us to—when we get past these immediate issues to work with you and others in making some long-term plans so that we will be better prepared next time to deal with these issues.

Mr. GREEN. Thank you.

Ms. CASEY-LANDRY. Can I just add one real quick comment on that? I think it is all size institutions, large and small, our community banks, our larger members—one of the largest lenders in that whole region is Washington Mutual, and we know they have made significant accommodations for all of their borrowers. And I think you will see it across the board.

But this does bring to light that 90 days may not be sufficient. It may be 6 months. But if the loan is going to continue to exist, the institution must be allowed to restructure the loan and capitalize the interest. Today you cannot.

The majority of most people's loan payments, particularly on a mortgage, is interest. So 6 months from now, 3 months from now, the bank rings you up, and you start to pay again, you owe all that interest. So they must be able to capitalize the interest, which is not currently permitted under the rules.

So the length of time is one issue, but the capitalization of the interest is another issue because that is what the restructuring of the loan's all about.

Mr. ELLIOTT. Yes. Also from the credit union standpoint, the PCA reform is absolutely essential. We are doing things definitely on a 30-day, 60-day, 90-day basis for our credit union members, but these things are not going to be known for a long time.

Working with people on individual extension agreements—and lord knows, it could be 12 months, 18 months before something could be worked out on some of our members.

Mr. GREEN. Well, I thank you. The safety and soundness of the lending institutions is of paramount importance, equally as important, of course, as the safety and soundness of the lives of all of the people who have been devastated.

Just for edification purposes, the NAACP is hosting an event over at Howard University as we speak and is very much involved in this. And I do not want to be overly pushy, but the president is a person that I think, once you have an opportunity to meet him, you will understand that he understands not only the problems of the least, the last, and the lost, but also the problems of lending institutions, the world of high finance. He is very well educated in these areas.

Mr. PRICE. Thank you, Mr. Green.

Mr. GREEN. And thank you, Mr. Chairman.

Mr. PRICE. Thank you.

Ms. Moore, your patience is rewarded.

Ms. MOORE OF WISCONSIN. And thank you so much, Mr. Chairman.

I have a very kind of practical, what to do kind of question directed at—the example I am going to give is the credit unions that were in Louisiana, but anybody from the banking community can respond to this question.

I had the privilege, I think, of talking with a number of the evacuees that made their way to Milwaukee, Wisconsin, about as far away as you can get from Louisiana and still be in the United States. My daughter promptly told them about the 50 below wind shield factors that they would be facing this winter.

But all jokes aside, the face of the victims were, in fact, people who found themselves stranded there on the 29th of August and did not have a payday, the face of those who were infirm and could not navigate themselves out of New Orleans, those folk who did not have transportation.

I ran into a very interesting evacuee in Milwaukee who, in fact, had the resources to get out of New Orleans, went to her credit union, and because there was a run on the banks and credit unions they would only give her \$200 of her money. So how does one evacuate themselves, much less their entire family, with \$200?

For the going forward—I am not saying this to assign blame to anyone. It is a really practical problem. For the going forward—you know, it can happen to any of us. For the going forward, what should we in Congress—what should you in the financial industry—be doing to address this problem?

This was not a poor person who could not buy an airline ticket. They were a person who could not get their money.

Mr. ELLIOTT. I will speak for Mississippi. Yes, the \$200—I think that was applied at least in our State not on each and every member, but as a whole those members that could deal with that amount of money was—that was appropriate for them, then that worked for us.

But there were many members who got significantly more than that. All of it had to do with the availability of funds and the cash getting in there. We went through every means possible to get money in there. I do not think that we had a problem in Mississippi.

We carried funds in a garbage bag in the back of a pickup truck, took it into credit unions. We did everything that we could. But that is a significant issue that we need to be prepared for in the future, because it was nip and tuck for us.

And I can not imagine not even being able to get, you know, Brinks and the other delivery firms down into the city to get cash to the credit unions and those right outside of the city. It would be a major problem.

Ms. MOORE OF WISCONSIN. And, you know, it just sort of reminds me—and I—you know, about our having less the sort of gold standard and—or having a bit or something. I mean, what—we do need some practical recommendations about doing that because it is not practical, I guess, to keep larger sums of money on hand everywhere.

Some practical electronic way to do this—I guess I do not know what I would have done had I been—

Mr. BORDELON. Could I, Congresswoman, try to answer that?

Ms. MOORE OF WISCONSIN. Yes, please do.

Mr. BORDELON. Because we are part of the network, the CUCB network, that does have a \$200 daily cash limit. And the problem probably was no matter what the member's balance was at her credit union where she does business, those phone lines, data lines, and so forth were non-existent. There was no way to verify that account.

So as an offline, basically a paper and pencil, transaction the \$200 limit is established in the network. Is that sufficient in a time of an emergency? We have never faced it, and honestly, as a net-

work, it is something we may have to—we definitely are going to have to readdress.

But there was such a run on cash, the \$200 limit was also deemed to be fair so everyone could have at least some cash at the time, and especially in the Baton Rouge area where you needed cash to even get gasoline because the debit cards and so forth would not work at the pumps.

We are all learning a lot from this disaster. A lot of things could have been done better, for even those of us who were prepared and even those of us who were not severely adversely affected.

Ms. MOORE OF WISCONSIN. I just wanted to—Mr. Chairman, I just wanted to put that on the list as kind of an abstract, obscure thing, and I did not want that to get lost because, you know, there was a lot of sort of blaming the victims themselves about not leaving. But you can not go with \$200.

Mr. CLOUTIER. Ms. Moore, just for the committee's knowledge, the Federal Reserve Bank in New Orleans had to close due to the hurricane. Having cash coming out of the Fed was a problem. But as of yesterday, we were working with Congressman Baker's office, the Federal Reserve in New Orleans, to try to get back electricity.

They are turning on electricity to other units in New Orleans but it is still not turned on at the Fed, which is critical to get cash out to the locations. There was a very strong run on cash.

I mean, we become a cash society very fast after hurricanes. Every one I have ever been through, you become a cash society. I do not think that maybe even FEMA followed their own rule book—supposed to be hospitals and then banks, to get the cash out.

And we needed to get them out much faster. We at our bank shared cash with a lot of different people to try to get it out there as much as we could because we run our own cash shop. And so it was a problem.

It is something that needs to be studied, I agree with you, because there was a lot of people who tried to evacuate who had difficulty coming up with money even though they had it in their banks, as we have talked about.

Mr. PRICE. Thank you so much.

Thank you, Ms. Moore.

We thank each of you. We have heard about a lot of challenges and a lot of poverty on the Gulf Coast, but we also know there is a lot of heart. And our desire is to put in place that process that will allow the greatest number of folks to have the opportunity to recover.

The chair notes that some members may have additional questions for this panel, which they may wish to submit in writing. And without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

Thank you all very much. This hearing is adjourned.

[Whereupon, at 12:52 p.m., the subcommittee was adjourned.]

A P P E N D I X

September 14, 2005

Opening Statement
Chairman Michael G. Oxley
Financial Services Committee

Subcommittee on Financial Institutions and Consumer Credit
Hurricane Katrina: The Financial Institutions' Response

September 14, 2005

I would like to thank Subcommittee Chairman Bachus for holding this critical hearing on the effects that Hurricane Katrina has had on the access to financial services in the Gulf region and the reforms that could be useful to aid the survivors of this tragedy. I also want to welcome the witnesses today, several of whom have come up from the Gulf region to be with us this morning. We will be discussing what is happening on the ground and how can we help the survivors of this disaster obtain basic financial services. Chairman Bachus and Chairman Baker have been working tirelessly to bring help and comfort to those in need, and it is my hope that this hearing will help to direct us to where we can be of additional assistance.

Dealing with the effects of Hurricane Katrina will be a major national undertaking. We at the Financial Services Committee are of course concerned with such issues as cash flow and the availability of credit in the affected areas. We are interested to hear what is being done and what else needs to be done in order for people to access to their accounts and their credit, often without identification information. We know that financial institutions have procedures and protocols in place to deal with these sorts of events, and we are here to listen and to obtain information about how the financial systems are working and what could facilitate operations.

Let's remember our purpose here today, which is to examine the operations of financial institutions in the Gulf region and to assess their ability to provide services to their customers. We should advocate the greatest flexibility for the survivors while doing everything possible to prevent fraud by those who would take advantage of this tragic event.

Also, we challenge those financial institutions to fully restore their operations and encourage their efforts to begin financing recovery.

I know I speak for all the Members on our Committee in extending our sympathies to those who have lost loved ones and to those who are struggling to begin new lives. We support the Members on this Committee from the Gulf region. Certainly the entire Congress is committed to doing everything we can to help restore normal life to the millions who have been through this traumatic event.

**OPENING STATEMENT OF
CHAIRMAN SPENCER BACHUS
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND
CONSUMER CREDIT
“HURRICANE KATRINA: THE FINANCIAL
INSTITUTIONS’ RESPONSE”
SEPTEMBER 14, 2005**

Good morning. The Subcommittee will come to order. Today’s hearing on “Hurricane Katrina: The Financial Institutions’ Response” will focus on the effects of Hurricane Katrina on the financial system and the financial services industry’s response to this disaster. We will also examine ways to ease the burdens faced by financial institutions due to Hurricane Katrina but more importantly, on how we can better assist victims get the financial services they so desperately need.

Last week Chairman Oxley held a briefing with the financial regulators and industry groups. At that briefing we had an opportunity to hear from the regulatory agencies about their efforts to address the consequences of the hurricane on banks and credit unions. Today we will hear from a panel of private sector witnesses who will give us a sense of the challenges facing the industry and consumers. Some of today’s witnesses are from the affected region and can tell us first-hand what they are seeing, and I want to thank them for taking the time out of their hectic schedules to be here today.

The magnitude of the damage caused by Hurricane Katrina on the Mississippi Gulf Coast, New Orleans, south Louisiana and along the Alabama Coast is almost incomprehensible. This disaster is unlike anything we've ever seen before. At one point, 80 percent of the city of New Orleans was under water. Up to 1 million families have been displaced. There are estimates that 400,000 to 500,000 people could lose their jobs because of the hurricane. And despite the magnitude of these numbers, they still don't do justice to the human suffering we have seen on television and in person. My thoughts and prayers go out to those so profoundly affected by Hurricane Katrina.

Fortunately, banks and credit unions have a track record of responding to customer needs during natural disasters. Financial institutions are required by law to have extensive disaster recovery plans in place to protect customer accounts and are routinely examined for their preparedness. Post-9/11 procedures and Y2K strengthened the industry's ability to deal with a broad range of disruptions. Historically, banks and credit unions have been operational and open for business shortly after disasters.

On September 1, 2005, the regulatory agencies issued a joint press release urging financial institutions to "assist affected institutions and consider all reasonable and prudent actions that could help meet the critical financial needs of their customers and

their communities.” The regulators encouraged financial institutions to do the following:

- Waive ATM fees for customers and non-customers
- Increase ATM daily cash withdrawal limits
- Ease restrictions on cashing out-of-state and non-customer checks
- Waive overdraft fees as a result of paycheck interruption
- Waive early withdrawal penalties on time deposits
- Waive availability restrictions on insurance checks
- Allow loan customers to defer or skip some payments
- Waive late fees for credit card and other loan balances due to interruption of mail and/or billing statements or the customer's inability to access funds
- Ease credit card limits and credit terms for new loans
- Delay delinquency notices to the credit bureaus

Many banks and credit unions are doing all of these things and more. From waiving ATM fees and easing restrictions on cashing out-of-state and non-customer checks and waiving overdraft fees as a result of paycheck interruption, financial institutions have been doing their part to ensure that victims have the cash resources they need to survive this difficult time, financially. In addition, the industry has given millions of dollars in charitable contributions to relief agencies. I appreciate what the financial services industry has done to make sure that hurricane victims have access to cash and credit and to ease worries about bill payment. Hopefully today’s hearing will help us come up with ways to make it easier for financial institutions to better serve the needs of the victims of Hurricane Katrina.

Let me close by thanking Chairman Baker for all of his work on this issue. He has been working tirelessly on a broad package of relief measures for financial institutions and consumers. I strongly support his efforts and look forward to working with him as this process moves forward.

I am now pleased to recognize the Ranking Member, Mr. Sanders, for an opening statement.

**Statement of U.S. Representative Judy Biggert (R-IL)
Subcommittee on Financial Institutions and Consumer Credit
Financial Services Committee
"Hurricane Katrina: The Financial Institutions Response"
Wednesday, September 14, 2005**

OPENING STATEMENT

I want to thank Chairman Bachus for his leadership in holding this hearing. And I want to express my deepest sympathies to those individuals and businesses affected by Hurricane Katrina. You are all in my thoughts and prayers.

In addition, I would like to express my appreciation to the federal and private sector financial services community for responding to this catastrophe in such a resilient fashion. The expedited flow of resources (funds and other emergency assistance), the financial and regulatory waivers granted, and cooperation among this community have been astounding. I hope that this compassionate and cooperative activity will continue in the days, months, and years to come.

FEMA and our private sector charitable organizations are continuing to meet the basic needs of Katrina victims, including shelter, food, and an initial \$2,000 stipend. However, what these victims will need in the upcoming days, weeks, and months is more than a cash hand-out. Many have lost their homes, cars, businesses, jobs, and possessions. They will need to understand and learn their financial rights and develop skills or retain assistance to navigate through another disaster, one that is financial. Some will need to learn how to budget their \$2,000 stipend, while others may want to know their options for financial assistance for rental housing, or building or rebuilding their homes.

Our Federal agencies and financial institutions have done an exemplary job at getting the funds to and providing some financial guidance to victims. But more can and must be done. Many of us who sit on this Committee and are Members of the Financial and Economic Literacy Caucus agreed. Last Friday, Congressman Hinojosa and I joined 28 other members of the Caucus and sent a letter to Treasury Secretary Snow. Mr. Chairman, I request that that letter be inserted for the record.

The letter requests that Secretary Snow convene an emergency meeting of the Financial Literacy and Education Commission to coordinate federal agency efforts to provide financial guidance to victims of Hurricane Katrina and act as a clearinghouse for federal and private-sector financial-related information. In the Fair and Accurate Credit Transactions Act, we created this Commission, and I hope that they will hold a meeting in the very near future. I believe that financial guidance is a critical element that Hurricane Katrina victims need on the road to recovery.

As Americans have proven, time and time again, we can and will emerge from tragedy, but we must harness and focus our activity and, together, move forward.

WITNESS INTRODUCTION

And, on that note, I would like to take this opportunity to say a word about one of today's witnesses, who is not from my district but is from one of my favorite towns in Illinois, Lake Forest.

Mr. David Gibbons, who is the Senior Executive Vice President and Chief Risk Officer of HSBC North America Holdings Inc., is testifying today on behalf of the American Financial Services Association.

He is a leader and 25-year veteran of the financial services world. His leadership experience in the oversight of financial institutions includes banking examinations and credit risk policymaking. And he is the former deputy comptroller for special supervision for the Office of the Comptroller of the Currency. Mr. Gibbons led the OCC's problem bank supervision program. In that capacity, he designed and implemented rehabilitation strategies and resolutions for the country's largest and most complex problem institutions.

Prior to that, Mr. Gibbons was deputy comptroller of the currency for credit risk, where he served as the agency's chief credit officer on all credit risk matters. He and his team evaluated credit risk in the national banking system, as well as the broader financial services sector.

Mr. Gibbons received a bachelor's degree in economics and finance from Alfred University.

I would like to welcome him to the Committee today and express my appreciation for his testimony.

And finally, I would like to note that HSBC and the AFSA Foundation are two financial organizations that have made great progress in the area of financial literacy. It is my hope that organizations like yours can partner with the Financial Literacy and Education Commission to work to provide financial guidance to hurricane victims.

Again, welcome, Mr. Gibbons.

Thank you, Mr. Chairman.

**Opening Statement
Rep. Julia Carson
Subcommittee on Financial Institutions and Consumer Credit
September 14, 2005**

Thank you very much, Mr. Chairman and Ranking Member and members of the committee. Thank all of you who assembled here today to provide information about the dilemma in which the victims of Hurricane Katrina faces.

My concern is based on calls that I have received from my constituents in Indianapolis, Indiana, in that how does one guarantee the safety of the resources that they already have on deposit. Secondly, how does the institution verify without any identification that money belonging to them and that they can have access to it, notwithstanding the absence of identification per se? I am also concerned with the limit of access to their resources. If you do not have online banking or an ATM card where you can put in a code and access your money, then it is very problematic in terms of being able to access your resources.

I have families in Indianapolis, Indiana, who have family in Mississippi and in New Orleans. And while I respect the fact that the financial institutions have to be on guard against some ambivalence of taking somebody's money out of the account or not giving the money to just anybody, if someone could please explain to how one would facilitate legitimate transfer of money.

Thank you very much.

STATEMENT OF THE HONORABLE WM. LACY CLAY
Before
The Subcommittee on Financial Institutions and Consumer Credit
“Hurricane Katrina: The Financial Institutions Response”
September 14, 2005

Good morning Chairman Bachus, Ranking Member Sanders, Members of the committee, and witnesses.

We are here today in the aftermath of our country's gravest natural disaster of modern history. We probably never imagined a complete flooding and subsequent evacuation of a major American city. Furthermore, let us remember that a three state region suffered this complete devastation. We now know that this situation was foreseen as a possibility and plans were suggested to guard against such a happening. The suggested remedies, inclusive of fortifying levees, were never implemented. However, I will not spend my time talking about what was not done, rather, let us deal with what we will do now that the situation is upon us.

The American people have responded both as individuals and as organizations to this tragedy without hesitation and have opened their homes, wallets and their hearts to those who have lost everything of material value because of this storm. I applaud our people and gain strength by seeing those that are constantly giving of themselves to get remedies in place. Our people have limited themselves in their efforts and neither will we.

The role that this committee will play in concert with the whole of the financial community is key to revival of the affected region. The financial community has responded to this hurricane by making adjustments to accommodate the needs of the victims. We have to commend you for reacting more quickly and efficiently than our government in several areas of concern. I thank you for that and I applaud you for stepping up your efforts even more. This is a huge undertaking, nevertheless, it is not insurmountable; we, working together, will get it done. Both the immediate and long term needs of the region will be addressed and necessary plans will be implemented.

I look forward to the testimonies of the witnesses who are all actively involved in this restoration of our country. I yield back the balance of my time.

Testimony of
Ken Bordelon, CEO of E Federal Credit Union, Baton Rouge, Louisiana

On behalf of
The National Association of Federal Credit Unions

“Hurricane Katrina: The Financial Institutions’ Response”

Before the
Subcommittee on Financial Institutions and Consumer Credit
United States House of Representatives

September 14, 2005

Introduction

The National Association of Federal Credit Unions (NAFCU) is the only national organization exclusively representing the interests of the nation's federally chartered credit unions. NAFCU is comprised of almost 800 federal credit unions—member owned financial institutions across the nation—representing nearly 26 million individual credit union members. NAFCU—member credit unions collectively account for approximately two-thirds of the assets of all federal credit unions. NAFCU and the entire credit union community appreciate this opportunity to participate in this discussion regarding relief for America's financial institutions in the wake of Hurricane Katrina.

I am the President and CEO of E Federal Credit Union headquartered in Baton Rouge, Louisiana, a position I have held for 10 years. Established in 1934, E Federal is a multi-SEG credit union that primarily serves the employees and annuitants of ExxonMobil and other petrochemical companies in the community, with approximately 25,000 members and more than \$175 million in assets.

I also presently serve on the technology committee of NAFCU, am Vice Chair of the Credit Union Cooperative Branching (CUCB) Network in Louisiana and have over 20 years of experience in the financial services industry.

The Aftermath of Hurricane Katrina

I am pleased to report to the Subcommittee that the National Association of Federal Credit Unions has been working with the National Credit Union Administration (NCUA) and other credit union groups since the beginning stages of this disaster to provide help to impacted credit unions in any way that we can.

NAFCU's President and CEO Fred Becker met with NCUA Board Chairman JoAnn Johnson on Wednesday, August 31st and pledged the Association's help in whatever way that the NCUA needs it. Our members are following the agency's lead for where they need additional equipment and resources. NAFCU has been supporting all reasonable and prudent efforts to provide relief for the victims of Hurricane Katrina that continue to protect the safety and soundness of credit unions.

The impact of Hurricane Katrina has been especially hard on credit unions. The NCUA's numbers indicate that 139 total credit unions headquartered in the disaster area were impacted by the storm, and of those 139 impacted, 102 were operational as of late last week, including every affected credit union in Alabama and Mississippi. More and more credit unions are coming back on line everyday, so I imagine that those numbers have grown by now.

Coming up here today from Baton Rouge and having seen much of the devastation first-hand, I can say that the credit unions that survived are working together to support those that did

not. Many credit unions in the impacted area are trying to be as flexible as possible with the rules, within safety and soundness limits, to accommodate those in need of financial assistance. The losses to credit unions in the impacted area are expected to be great. E Federal was fortunate to have suffered no loss other than a day and a half of limited service to our members due to power outages.

One of the biggest challenges for credit unions in the aftermath of Hurricane Katrina is to have the regulatory flexibility to deal with the challenges in serving the needs of the hurricane victims. The NCUA has done an excellent job in working with impacted institutions, but those of us who are exercising flexibility within safety and soundness limits want to be sure that we are not penalized tomorrow for meeting the financial needs of the victims today. Any action that Congress can take to signal this message to the regulators would be important. I was pleased to see NCUA set up a task force very quickly in Baton Rouge and begin a needs assessment almost immediately. We have been in contact with our examiner on several occasions to coordinate any assistance requested. We are also pleased to see that the NCUA has relaxed its rules on “held to maturity” investments, allowing credit unions the flexibility to make changes to their portfolio to address immediate needs.

Some of the other concerns that E Federal and other credit unions in the impacted area have brought to our attention include:

- Telecommunications are difficult – ATM’s and Debit/Credit card machines are spotty, which causes everyone to want cash. The outages are also affecting our shared credit union network, resulting in difficulty for those out of the immediate

area who are trying to contact credit unions headquartered in Louisiana. Some credit unions are posting notices at evacuee shelters in order to provide contact information for those that don't have access to the Internet. Much more needs to be done to help in this area at the Federal level. Several credit unions cannot get their lines re-routed out of the New Orleans sub-stations, which is causing a great amount of distrust on behalf of members who cannot get their data through normal methods (automated voice response machines and through the web). One immediate step that the Federal government could take would be to set up a series of computer centers in the region, where victims could get online to access their accounts as many have lost their computers.

- The desire for cash raises currency issues. Institutions have been taking key steps to make sure that they have the cash available to meet their needs. We have experienced excellent cooperation from the Federal Reserve, our Corporate Credit Union System and our depository banking partners in this regard. Any help that Congress can give in this regard would be a positive step.
- Not all members brought their identification with them when they evacuated— this makes check cashing extremely difficult and will make reissuance of formal documents also more difficult. Members wanting to set up new accounts are having trouble due to the Patriot Act requirements.

- Many plastic cards, statements, and other financial documents were in the mail or already in personal mail boxes in the New Orleans area. These have a great potential of being stolen or strewn about in the mess – those that are in the mail and are being re-routed have great potential of getting in the wrong hands. Unfortunately, this disaster will likely cause an increase in identity theft to hurricane victims.

While our members in the greater Baton Rouge area were not impacted to any degree resembling those further south, the long term affects are already visible as many are providing temporary, and in some case permanent, housing for family and friends. The need for cash and basic necessities has tripled in a matter of days. Add to that the increased fuel and energy costs, and finances are stretched thin. E Federal is providing loan extensions, skip payments and a special needs team to assess the borrowing needs of those with impaired credit. In addition, we have offered office space at two branches, currently serving as training rooms, to affected credit unions to set up shop.

Only one of our employees was unable to return because of the storm. E FCU has provided notice through NAFCU of openings available for displaced workers.

As a member of the shared credit union branching network (CUCB) we were able to serve members from credit unions in the New Orleans area with immediate cash needs. Even with communications to their credit unions being down, we can provide off-line transactions and

cash needs for those with proper identification. We found many credit union members who were totally lost and looking for any avenue to secure cash during the height of the evacuation. The communications failure for electronic transactions put more pressure on our offline operations. In most cases, it was interesting to see that women normally had a checkbook with them which offered some method of affording a transaction while men did not. Many of the credit union members we serve were about to get paid when the evacuation began, so they had very little if any cash. It was also very interesting to read in our Sunday paper that several banks in the area have teamed up to share facilities with competitors that may have lost branches in the storm. The spirit of cooperation was and still is evident in the financial services area no matter what our past differences may have been.

Another one of the unique aspects of the credit union community that helped in this time of need is our aforementioned "shared branching". This process of sharing service centers, which is prevalent in the Gulf Coast region, has been a godsend as surviving institutions have been able to help many of the ones that suffered damage, through operation of service centers that can serve all members of the participating credit unions (as noted above). As Vice-Chair of the CUCB Network in Louisiana, I am pleased to see that NCUA Chairman Johnson noted earlier this week, "We encourage credit unions to evaluate the benefits of joining a shared branching network, because many of the credit unions that were able to regain operations and serve their members, were able to do so through shared branching."

We are also pleased that FEMA took the steps this past weekend to change its relief program from a debit card one to issuing checks and depositing funds into accounts of victims.

In addition to alleviating likelihood of crime resulting from people carrying large sums of money, credit unions are now free to focus on providing important financial counseling and education to help members get back on their feet. Additionally, that influx of funds will help the institutions that have been facing the increased withdrawals. For those that were issued the debit cards before the program changed, many credit unions have waived their ATM fees for these cards (and for many transactions).

In addition to E FCU, many other credit unions have taken amazing steps to help those in need in the wake of the disaster. For example, despite losing the 25% of their business that comes out of New Orleans, Campus FCU is trying to meet challenges by keeping their displaced employees on the payroll and enrolled in their benefits programs to assure that they are whole. In addition, Campus FCU President and CEO John Milazzo tells me that Campus FCU, like credit unions throughout the region, has been doing what it can to serve any of the hurricane victims in the area, using the flexibility granted by the NCUA to meet the needs of victims, many of which just walk in the door needing help. Part of that service is assisting credit unions that have lost everything. Campus FCU is housing the University of New Orleans FCU and the New Orleans Fireman's FCU in their facilities.

Credit unions from across the country are taking great steps to help those that need help. Western FCU, headquartered in Manhattan Beach, California, is assisting Navigator Credit Union, a fellow Northrop Grumman affiliated credit union in Mississippi, by sending cell phones from Western FCU (since many of the Gulf Coast circuits are out), sending employees to help Navigator CU make emergency loans, and helping Navigator CU get the cash it needs to make

loans. This cooperation between these two credit unions from different parts of the country was arranged through NAFCU and the NCUA, whose staff has been doing yeoman's work in contacting impacted credit unions and helping them get up and running. This is just one story of many similar ones coming out of this disaster that demonstrates the special nature of credit unions working together in the time of need to serve their members.

Two legislative proposals that would aid credit unions in the long term recovery from this disaster have been before this Subcommittee for some time now:

- The first would be to give NCUA the authority to allow credit unions to continue to serve and add members from their select employee groups (SEG's) after a credit union converts to a community charter. With many people who may belong to a credit union's SEG's displaced throughout the region, this would give credit unions the flexibility to convert to a community charter to survive, while being able to add employees from their old SEG's who may have been evacuated from the community. Additionally, the provision would grant the credit union the authority to serve the employees of the business or group if it were ever to return to the region (as some SEG's may disappear for an extended period of time). This important proposal is part of the *Credit Union Regulatory Improvements Act*, H.R. 2317, and part of the *Financial Services Regulatory Relief Act*, H.R. 3505, that are pending before the Subcommittee.
- The second proposal would be to give NCUA greater flexibility with Prompt Corrective Action (PCA) reform. This proposal, included as Title I of the *Credit Union Regulatory Improvements Act*, would give NCUA the flexibility that the other banking regulators currently have in dealing with PCA levels. This would result in a new, more appropriate measurement to determine the relative risk of a

credit union's assets and improve the safety and soundness of credit unions and the National Credit Union Share Insurance Fund.

We hope that the Subcommittee can act expeditiously on these, and other proposals to help credit unions and all other financial institutions, that have been impacted by Hurricane Katrina.

Additionally, there have been proposals floated to provide a level of indemnification for financial institutions who are cashing checks from Hurricane victims. Such a proposal does appear to be a good idea, if it is not funded from the deposit insurance funds. However, I would note that the implementation of such a program could have a number of obstacles, as the opportunity for fraud would be great.

Conclusion

The challenge for credit unions in the wake of Hurricane Katrina has been great. Unfortunately, some may not survive. Yet, the response from the credit union community has been tremendous, as credit unions from across the nation have been stepping up to assist those in need. It will be important that Congress and the regulators, from the agencies in Washington to the field examiners, recognize the flexibility within safety and soundness considerations that many institutions have had to make in order to effectively assist hurricane victims. It would be unfair to penalize them tomorrow, for their efforts to help those in need today.

It is with this in mind that NAFCU stands ready to work with the NCUA and Congress to meet the needs of hurricane victims. We support efforts that help secure the safety and

soundness of credit unions while helping financial institutions meet the needs of hurricane victims. We thank you for this opportunity to appear before you today and would welcome any questions.



**Testimony
by
C. R. (Rusty) Cloutier
President/CEO
MidSouth Bank in Lafayette, LA**

&

**Past Chairman
of the
Independent Community Bankers of America
Washington, DC**

**"Hurricane Katrina:
The Financial Institutions' Response"**

**United States House of Representatives
Financial Services Committee, Subcommittee on
Financial Institutions and Consumer Credit**

September 14, 2005



What Community Banks Will Need to Assist in Hurricane Recovery

Mr. Chairman, Ranking Member Sanders, and Members of the Subcommittee, my name is C.R. (Rusty) Cloutier. I am President and CEO of MidSouth Bank, N.A. in Lafayette, Louisiana. I am also past chairman of the Independent Community Bankers of America¹. MidSouth Bank is located about 100 miles west of New Orleans and our town of Lafayette is providing for many Hurricane Katrina evacuees.

ICBA and the banks of the Gulf Coast region devastated by Hurricane Katrina appreciate your intense interest and quick response to our plight, as evidenced by this hearing and by legislation being drafted by Chairmen Bachus and Baker to provide indemnification for cashing government and "not on us" checks and permit lenders to provide flexibility to borrowers by refinancing loans, rolling interest into principal. This legislation will address some of our most immediate concerns. I also understand that subcommittee members and their staffs participated in a number of briefings and meetings with regulators and industry representatives last week to assess the situation and make plans for action.

I commend the hard work of John Ducrest, John Allison, and John Harrison, the state commissioners of financial institutions in Louisiana, Mississippi and Alabama, and the federal regulatory agencies. Their efforts have provided essential support for our industry's effort to restore banking services to the citizens of the affected states. The regulators have pledged to be flexible in enforcing regulatory requirements and in supervising affected institutions. Many of these are included in ICBA's recommendations submitted to members of Congress, the Treasury, and the agencies last week. An updated version of this list is attached to this statement.

We also appreciate the statement of FDIC Chairman Don Powell making clear that the FDIC stands behind the banks in our region. I was particularly pleased by his comment that no bank has ever failed because of a natural disaster. I hope this will continue to be true, but I believe that the government must monitor the situation closely and be prepared to do more in this instance if necessary to ensure that result.

¹ The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace. For more information, visit ICBA's website at www.icba.org.

Responses of Community Bankers

There are more than 100 community banks with offices in areas that were directly affected by Hurricane Katrina. Of those, about 20 have offices in the greater New Orleans area. The community banks I have been working with are reporting unprecedented damage to the New Orleans and Gulf Coast area.

The resiliency of community banks, like that of the banking industry as a whole, in responding to this disaster has been impressive to see. Community bankers have taken extraordinary measures to get up and running, resume operations and serve customers in the aftermath of the storm. While many are fully operational, others are doing this even when they cannot open at their original locations.

The cooperation and coordination among banks to ensure service to customers and persons displaced by the storm has been unprecedented. My bank and others have stepped into the breach to assist those community banks with damaged offices—many times providing facilities to our competitors. Right now, MidSouth is providing shared space and computer equipment for two banks that had no offices outside the New Orleans area. A third that was operating out of my bank has found alternative facilities. We have done this with no thought to profitability. We are focused on providing service and doing all we can to aid in the recovery.

Here are some other examples of specific actions community banks have been taking to deal with the crisis in the short term:

- A number of community banks that are not fully operational are operating from planned back-up sites.
- Community banks are setting up tables and serving customers out of temporary buildings and warehouses when regular branch facilities are not usable. Until electricity could be restored to run computer systems, bankers often used paper receipts to complete banking transactions if needed.
- Community banks in surrounding areas outside hardest hit areas are lending their facilities, including computer capacity and personnel, to affected banks so customers can be served.
- Community banks around the nation are pitching in with support both financial and personnel. Notably, community banks from outside the area are sending in their trained personnel where needed, providing technical and computer support.

- Community banks are taking steps to ensure that all customers have access to cash. One Louisiana community bank solicited \$20 million in brokered deposits to ensure liquidity to be in a position to meet the cash demands of its community.
- Community banks, both in the storm-affected areas and in other areas accommodating evacuees, are cashing customer and non-customer checks whenever possible, often assuming significant risks when personal identity or validity of the check cannot be verified.
- Community bankers who know their customers personally can provide services to customers without identification.
- Community banks are setting up Web postings for financial services and the location of those services.

In addition, ICBA has established a special task force to address short- and long-term challenges Hurricane Katrina left in her wake. The work of this task force will focus on the most recent disaster, but also help community banks deal with any new disasters that arise in the future. We recognize that no city or region is immune.

More is Needed

Despite these extraordinary efforts, community banks and their communities may not be able to rebuild without additional help.

Mr. Chairman, your statement last week that, "If an institution is failing because of this disaster, the federal government will stand behind that institution" was especially welcome. While it is too early to tell, it is possible that Congress may have to take specific action to implement that pledge, because banks face potentially serious losses on loans that were good before the storm hit, but now may be severely impaired.

We agree fully with Rep. Barney Frank's comment that, "I do not think we want this hurricane to ... [result in] greater and greater concentration and fewer and fewer community banks."

We will work with you Mr. Chairman, Ranking Member Frank, and this subcommittee to ensure the health of community banks affected by the disaster.

Depending on the amount of insurance payments and government assistance to their customers, a few banks may need direct government assistance in addition to regulatory flexibility to remain viable. Many bankers have customers like a

bulk fuel distributor that is in full operation and fulfilling high demand for its product, but is challenged by the fact that \$5 million in its receivables may be a total loss.

Ensuring the health of community banks that were operating in and providing service to communities before Hurricane Katrina is not just a matter of fairness. Community banks will be essential to the survival of communities in the affected areas. Small businesses will only be able to rebuild if community banks are healthy and able to respond to their needs. Community banks are much more than offices, computers, and ATMs. Offices and bank equipment can and will be replaced; the banker/community relationships cannot.

Community banks built many of the local communities that were hardest hit, and can be relied on to rebuild those communities. When community banks resume full operations, they will be serving the people they have always known, and focusing on their local communities as they have always done.

Strong community bank management should be able to survive, if policy makers exercise enough flexibility. FDIC Chairman Powell, a former Texas community banker, and I have compared our experiences in the oil bust of the 1980s in bringing undercapitalized banks back to health. I am convinced my colleagues in the New Orleans and Gulf Coast area can do the same.

ICBA Recommendations

There is enormous economic and social value in maintaining these communities and the community banking relationships that existed before Hurricane Katrina. That is why ICBA is recommending that you pass legislation authorizing the appropriate agencies to provide community banks with some form of direct assistance.

There are a number of ways that this could be done, direct financial assistance, government purchases of loans with storm-impaired collateral, or disaster assistance through the SBA.

In addition to our urging that you provide for direct assistance where needed, ICBA makes the following broad recommendations, as more fully detailed in the attached list:

Maintain Public Confidence:

- Public officials should continue to make strong statements about the safety and soundness of all FDIC-insured institutions. This will bolster public confidence and avoid unnecessary deposit drains or liquidity pressures on financial institutions in the disaster area.

Assure Liquidity:

- The Federal Reserve should assure cash availability as well as security for transportation and storage of cash, especially in temporary bank facilities.
- The Federal Reserve – through its discount window – and the Federal Home Loan Banks – through advances – should be as flexible as possible to assure liquidity.

Keep Payments Flowing:

- Payments system needs to keep flowing with special clearing and settlement arrangements for banks in the affected areas.

Address Lending/Safety and Soundness:

- Regulatory agencies must exercise flexibility on past due and otherwise classified loans that are impaired by the disaster.
- Agencies must be flexible in enforcing prompt corrective action and least cost resolution requirements.

Many of the steps outlined in our attached recommendations, especially regulatory flexibility, must last longer than a few months. A community banker in Florida reported to ICBA that his bank is still dealing with the capital and liquidity challenges from the influx of insurance proceeds into his bank after last year's hurricanes. Until depositors spend that money, the bank's capital ratio is reduced and it needs to maintain a high liquidity level to support potentially large withdrawals. He recommends that the regulators exercise flexibility for at least 18 months.

Hurricane Katrina is the worst natural disaster in our nation's history, with a long recovery period anticipated for the hardest-hit areas. To maximize the ability of community banks to fulfill their role in rebuilding their communities, it will take unprecedented flexibility from regulators and the close attention of this committee and the Congress.

With appropriate governmental action and support community banks should be well-positioned to spur the revitalization of their communities.



Hurricane Katrina: ICBA Relief Suggestions

September 6, 2005

Revised: September 13, 2005

Congressional Action

Recovery

- **Establish special liquidity fund for banks in affected areas through the Federal Home Loan Bank System**, with flexible terms and minimal collateral requirements.
- **Waive restrictions and collateral requirements for advances through the Federal Reserve discount window.**
- **Raise current bank-qualified municipal bond issuance limit** to \$30 million (and index for inflation).
- **Create a special fund** to allow the federal government to purchase impaired loans of borrowers affected by the disaster.
- **Special bond issuance** (similar to NYC Liberty Bonds) - establish \$10 billion in tax-free "Katrina redevelopment bonds," allowing financial institutions to invest in Katrina bonds as triple tax exempt/bank-qualified bonds.
- **Appropriate special Small Business Administration (SBA) disaster funds for banks** in the affected areas (community banks are small businesses too).
- **Authorize \$10 billion in Small Business Administration disaster loan authority** for use by financial institutions in disaster areas (loan limits up to \$250,000 for an individual and \$2 million for a business; up to 30-year term; maximum 4% interest; 85% SBA guaranty).
- **Appropriate \$150 million to SBA 7(a) loan program** to help lower fees on lenders and borrowers.

- Enact and fund **special fee waivers for SBA and USDA borrowers** in affected areas.
- **Increase funding for USDA's *Interest Assistance* program** (allows a reduction of up to 4% from the interest rate of farm operations loans).
- **Increase funding for guaranteed farm loan programs** – increase guarantee level to 95% for one year (as opposed to the current 90%) – streamline current loss claims procedures to expedite processing of claims.
- Waive offset requirements for **agricultural disaster aid**.
- **Apply 20% and 50% community bank tax credits** detailed in H.R. 2061 and S 1568 ("Communities First Act").
- **Allow 5-year net operating loss (NOL) carry back** for financial institutions in disaster areas.
- **Provide 25% tax credit for all interest earnings on SBA disaster loans** in designated Katrina disaster areas.
- **Waive taxes on interest earned from rural mortgage loans** (similar to provision in Communities First Act).

Regulatory Relief

- **Indemnify financial institutions for uncollectible third-party checks** cashed for hurricane victims.
- **Waive affected banks' liability for cashing Federal benefit checks or disbursing direct deposits** after the death or legal incapacity of a benefit recipient or for cashing forged U.S. Treasury checks for a minimum of 6 months.
- **Grant regulators broad authority to waive any regulatory requirements** for banks in affected areas.
- **Waive certain consumer disclosures and protection requirements** in affected areas for depository institutions, such as Truth in Lending (TILA), especially the three-day right of rescission, APR disclosure, advance APR disclosure, to allow banks to provide funds to affected customers ASAP and to use manual processing of note forms (when there is no or limited access to computers).

- **Extend all monthly and/or quarterly federal tax filing requirements** by 6 months and all annual filing requirements by one year and waive any tax penalties in this duration (provide waiver form to request further additional filing extension period).
- **Defer all withholding tax deadlines.**

Safety and Soundness

- Allow banks in affected communities **additional latitude in cases of reduced capital levels**, e.g., under FDICIA prompt corrective action or for other purposes (especially those classified well-managed and well-capitalized prior to the disaster).
- **Relax prompt corrective action standards to avoid closing banks with temporarily impaired capital levels.**
- **Provide FDIC the flexibility to provide open bank assistance and waive “least cost resolution” requirement under FDICIA.**
- To address the influx of deposits expected from insurance/FEMA proceeds, **enact deposit insurance reform ASAP or relax hard 1.25% designated reserve ratio hard target** to allow the FDIC more flexibility in managing the FDIC fund.

Regulatory Action

While the September 1, 2005 press release from the regulatory agencies is helpful for banks in peripheral communities, banks in more devastated areas, will need additional support from the regulatory agencies to survive and provide customer service—before the bank can provide assistance to its customers, the bank itself must be viable, and it is critical that regulators provide as much assistance as possible for these institutions.

Immediate Steps

Recovery

- **Provide banks with lists of resources and offer advice, guidance, and any other necessary assistance to help them resume operations.**

Liquidity

- **Waive restrictions and collateral requirements for advances through the FHLB system.**
- **Waive reserve requirements** for banks in the affected area.
- **Expand the Federal Reserve Seasonal Liquidity program** time period to allow funds to be borrowed for longer periods.
- Provide **mechanisms to furnish currency and coin** to banks in the affected areas ASAP and **ongoing onsite security**. *Done, but additional security measures may be needed*
- **Facilitate the clearing and settlement of checks by extending the check deposit deadlines and servicing alternate presentment points.** *Done*
- **Waive check-encoding requirements** for affected banks to facilitate check clearing and settlement and improve liquidity.
- **Reinstate original availability schedule** for banks normally clearing through the Federal Reserve Bank of Atlanta's New Orleans Branch, which are now clearing elsewhere. *Done*

Regulatory Relief

- Grant banks **additional latitude to identify customers under Customer Identification Program requirements** (Bank Secrecy Act), since many customers may have lost all identification (especially since community banks already know their customers) – this applies to all instances requiring customer identification. *Done in part - additional, more specific guidance needed.*
- Provide additional **flexibility to allow banks in affected areas to open temporary branches and share resources** (lobbies, data processing, office space, other backroom support).

- **Defer reporting deadlines for regulatory reports**, e.g., call reports, and Report of Transaction Accounts, Other Deposits, and Vault Cash (FR 2900).
- **Allow flexibility on classified loans and collateral requirements** (to give banks sufficient flexibility to work with borrowers who may have lost homes, cars, jobs) and **defer enforcement action due to credit quality**.
- **Allow banks to make credit policy exceptions and re-age accounts** that go past due as appropriate to help impacted borrowers without regulatory repercussions.
- **Grant banks additional time to address errors under TILA and Regulation E** (allow at least 60 to 90 days for banks in affected areas).
- **Ease/waive CRA examination requirements** for period of time (to allow banks to provide services to their communities without having to document their activities).

Longer Term Steps

- Offer **flexibility on examination cycles** – and allow additional latitude for banks in affected areas during their first exam, recognizing that they have been impacted by elements outside their control.
- Examiners need to clearly understand the impact of the disaster and **allow all affected banks sufficient flexibility for at least 18 – 24 months to recover** – technical application of requirements within 6 months does a great disservice to the local communities affected – especially for liquidity levels and plans.
- **Relax prompt corrective action standards to avoid closing banks with temporarily impaired capital levels**.
- **Provide FDIC the flexibility to provide open bank assistance and waive “least cost resolution” requirement under FDICIA**.
- **Appropriately define “temporary” when granting relief** (six months is insufficient – **18 months minimum** needed).
- Issue forward commitments that the FDIC will not **increase deposit insurance assessments for banks in affected areas that have a temporary decrease in capital levels due to sudden influx of deposits** from insurance/FEMA payments.

September 14, 2005

Comments of

McKinley W. Deaver

On Behalf of the

AMERICAN BANKERS ASSOCIATION

Before the

Financial Institutions and Consumer Credit Subcommittee

Of the

Committee on Financial Services

United States House of Representatives

Regarding

Hurricane Katrina Relief and Recovery Efforts



September 14, 2005

Comments of
McKinley W. Deaver
On Behalf of the
AMERICAN **BANKERS** ASSOCIATION

Before the
Financial Institutions and Consumer Credit Subcommittee
Of the
Committee on Financial Services
United States House of Representatives

Regarding
Hurricane Katrina Relief and Recovery Efforts

September 14, 2005

Mr. Chairman and members of the Subcommittee, my name is Mac Deaver. I am the executive director of the Mississippi Bankers Association, whose membership includes 106 commercial banks and savings institutions, representing 99 percent of Mississippi's bank deposits. I am pleased to be here today, on behalf of the American Bankers Association (ABA), to discuss the banking industry's response to Hurricane Katrina. ABA, on behalf of the more than two million men and women who work in the nation's banks, brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership includes community, regional and money center banks and holding companies, as well as savings associations, trust companies, and savings banks.

In Mississippi, the benchmark for severe storms for many years was Hurricane Camille, which hit our coast in 1969. Hurricane Katrina changed that. Hurricane Katrina caused loss of life, damage to property, and interruption of businesses and services on a scale never seen before in our state and in our neighboring states of Louisiana and Alabama. Bankers, many of whom suffered personal losses themselves, were called upon to quickly reopen their institutions to provide financial

services to the public in this most critical time and to help support a larger recovery. In several places, the first priority remains ensuring that victims of the storm receive the basic necessities of food, shelter, and transportation.

In my testimony, I would like to make the following three points:

1. Banks are working cooperatively with one another and all levels of government to quickly reestablish normal customer services.
2. Banks have taken a number of steps to assist customers who have been affected by Hurricane Katrina.
3. While longer-term recovery solutions are important to consider, right now immediate practical concerns exist, such as how to serve displaced customers.

I. Banks are Working Cooperatively

I am pleased to report that the day after the storm hit some banks were “up and running” in even the hardest hit areas, with more progress being made every day. Institutions resumed operations using generators and limited communications, often in temporary facilities. By the end of the week – only four days after the hurricane – all banks in Mississippi were operating, although not all branches were open. In harder-hit areas, progress is rapidly being made. For example, as of this week, banks are sharing a dozen branches in New Orleans’s adjacent county of Jefferson Parish, which was devastated by the storm. Our industry has not treated the recovery as a competitive matter. Bankers from across the country immediately began providing assistance to banks in the most affected areas. In my state of Mississippi, banks have performed processing for one another, provided temporary facilities, or have assisted with cash needs.

In the states directly affected by Katrina, the state bankers associations, along with ABA and other organizations, quickly began regular telephone briefings with bankers and state and federal regulators. These meetings, which are ongoing, are an effective way to share information about available resources, the status of banking operations, the delivery of emergency financial assistance, and guidance to bankers dealing with complex regulatory requirements in these extraordinary circumstances. Our associations and other industry groups are working to assure the public that their money is safe and that their banks are available to serve them.

The Alabama, Louisiana, and Mississippi Bankers Associations, in a joint statement issued earlier this month, called on the nation’s banks, bank employees, and customers to aid in relief efforts along the Gulf Coast. I would like to share with you this statement to you in its entirety:

The magnitude of the damage caused by Hurricane Katrina on the Mississippi Gulf Coast, and in New Orleans, south Louisiana, and coastal Alabama is hard to comprehend. Although the damage is limited to the Gulf Coast, its impact has national consequences. The images we've seen on television are heart-breaking. The relief effort underway in the storm-affected areas is the largest our nation has ever experienced, and is the largest ever undertaken by the American Red Cross. The Red Cross has mobilized in an historic fashion and is on the front line coordinating the relief effort. The organization needs the support of banks, bankers and bank customers across the country. To contribute to the American Red Cross, please call 1-800-HELP-NOW, visit the Red Cross online, or call your local American Red Cross office. Thank you for your expressions of prayer and support.

The banking industry is accustomed to responding to customer needs during natural disasters. When a disaster strikes, every consumer should know that their bank is prepared, their deposits are safe, and they will have continued access to their funds. Banks are required by law to have extensive disaster recovery plans in place to protect customer accounts, and state and federal regulators routinely examine each bank on their preparations. Banks have an admirable record and a proven history of restoring service as soon as possible after any unexpected event. Post-9/11 procedures and extensive preparations for Y2K strengthened the banking industry's ability to deal with a broad range of disruptions.

I would also like to share with you a story told to us by Peter Gwaltney, the chief executive of the Louisiana Bankers Association:

The bankers in the affected area are working heroically to get their banks back up and running. It's hard to describe the size, scope, and variety of the issues they're managing, along with the loss of family, friends, and personal property. For three days after the storm, Guy Williams of Gulf Coast Bank & Trust, New Orleans, rescued people in his boat. A week later he still crosses Lake Pontchartrain at night in his boat, from Covington to the Lakefront in Kenner/New Orleans, to rescue people trapped by floodwater...he goes door to door, pulls people out and takes them to a shelter. Look at a map of Louisiana...it's a long trip by motorboat. He shows up back in Baton Rouge each morning, at the Louisiana Bankers Association office, to work with his management team to establish new offices in Baton Rouge, secure housing for staff and execute their disaster plan. His bank will open a new office in Baton Rouge... That's just one of many stories.

II. Banks Are Assisting Affected Customers

As with any disaster, but particularly given the scope of Katrina, the industry is aggressively working to not only deal with the immediate needs of individuals, but also trying to anticipate future customer needs to help the recovery gather greater steam.

Typically, the first banking-related concern in the aftermath has been how to access cash. As an industry we have worked closely with the Federal Reserve to ensure that cash deliveries get to where they are most needed. Institutions in areas receiving displaced people conducted business on Saturday, and, on the encouragement of state banking officials, remained open throughout the Labor Day weekend, for example. In some places, on-site banking services remain available through

the weekend. State banking agencies are acting to minimize regulatory impediments for financial institutions seeking to open temporary facilities to service displaced citizens.

Efforts are underway to bring ATM machines back online and to deploy mobile ATMs, both in the areas where damage is the heaviest as well as at locations where there are large numbers of evacuees. Banks and card associations have waived ATM fees and, in addition to their normal telephone support, banks throughout the affected areas established toll-free disaster information services. We are working to get those numbers and other information into the FEMA information pipeline so that it will be more readily available on the ground. Banks have also streamlined their ATM and credit card-replacement procedures, authorizing expedited service to temporary addresses where the cards can be received.

The national systems for the processing of payment and securities settlement transactions have been unaffected by the hurricane and continue to operate normally. Electronic payment networks are for the most part operational to the extent there is power. Several employers have inquired as to their employee's ability to access their accounts at affected banks. To the extent there was a temporary outage we have been able to link the employer with the appropriate person at the bank.

The banking industry is also working with the Social Security Administration and other agencies to ensure that customers and non-customers have access to the proceeds of Social Security and other government checks. Banks are assisting the development and distribution of a flyer which institutions can use to spot fraudulent government checks, giving institutions a greater level of comfort to cash non-customer checks.

Another pressing concern among affected consumers is whether they will be penalized for late or missing bill and mortgage payments. Although specific protocol for dealing with affected customers is up to individual institutions, the industry has joined with banking regulators to encourage the most reasonable accommodation possible for customers whose lives have been disrupted by Hurricane Katrina. Typical actions include the waiver of late fees, the suspension of interest accrual on credit accounts, extension of grace periods, and expedited increases of credit lines. In many cases, institutions have declared a minimum automatic 30-day grace period, usually targeted by zip code, with plans to reevaluate response measures monthly. Lower-cost loans with streamlined qualification standards are also available. We strongly encourage all affected customers to contact their financial services providers to inquire about what assistance is available for them and to provide their contact information.

As individual customers reorder their lives in the aftermath of Hurricane Katrina, the needs of businesses in the affected regions, both large and small, will require increasing attention. Commerce depends upon the efficient and dependable services banks and their electronic networks provide, and we will meet that challenge.

Because Hurricane Katrina is first and foremost a human disaster, which calls for humanitarian aid on a massive scale, the financial services industry is encouraging generosity among its institutions and its employees. Many institutions are matching the contributions of their employees. More aid is promised each week. Thus far, banks and card companies have pledged hundreds of millions of dollars in direct aid and matching funds.

III. Immediate Practical Concerns Exist

In the wake of Hurricane Katrina, banks are seeking to do the right thing by serving all members of the public at a critical time, including the thousands displaced by the hurricane. Nevertheless, banks are facing challenges in providing services to unknown persons while at the same time meeting all of the regulatory requirements and protecting their institutions from losses.

Non-customer identification remains difficult. Thousands of evacuated persons are seeking cash to provide themselves with basic provisions. Banks are doing their part by accepting checks and opening accounts to the extent possible. Bankers want to do the right thing to help the victims of Hurricane Katrina, but must balance regulatory and institutional concerns.

Finally, the situation on the ground continues to change. Banks are continually reassessing the appropriateness of their response measures. Banks and the customers they serve will benefit from a regulatory environment that takes this fact into account. Banks will continue to do everything possible to help the victims of Hurricane Katrina and to support a regional economic recovery. Many of our member banks have been part of their communities for more than a hundred years. They plan to stay. ABA looks forward to working with the Committee as we encounter problems and ascertain solutions.



CUNA & Affiliates

Credit Union National Association, Inc.

601 Pennsylvania Avenue NW
South Building, Suite 600
Washington, D.C. 20004
(202) 638-5777

WRITTEN TESTIMONY
OF
CHARLES ELLIOTT
PRESIDENT & CEO
OF THE
MISSISSIPPI CREDIT UNION ASSOCIATION
ON BEHALF OF THE
CREDIT UNION NATIONAL ASSOCIATION
ON
“HURRICANE KATRINA: THE FINANCIAL INSTITUTIONS’ RESPONSE”
BEFORE THE
HOUSE FINANCIAL SERVICES INSTITUTIONS SUBCOMMITTEE
SEPTEMBER 14, 2005

WRITTEN TESTIMONY
OF
CHARLES ELLIOTT
PRESIDENT & CEO
OF THE
MISSISSIPPI CREDIT UNION ASSOCIATION
ON BEHALF OF THE
CREDIT UNION NATIONAL ASSOCIATION
ON
"HURRICANE KATRINA: THE FINANCIAL INSTITUTIONS' RESPONSE"
BEFORE THE
HOUSE FINANCIAL SERVICES INSTITUTIONS SUBCOMMITTEE
SEPTEMBER 14, 2005

Chairman Bachus, Ranking Member Sanders, and members of the Committee, especially Vice-Chairman Baker, on behalf of the Credit Union National Association (CUNA) I offer my deepest sympathies to the people, families and communities that are affected by Hurricane Katrina, and pledge the support of CUNA and the credit union movement to assist the victims in rebuilding their lives.

CUNA is the largest credit union trade association, representing approximately 90% of our nation's nearly 9,000 state and federal credit unions and its 87 million members. I am Charles Elliott, President and CEO of the Mississippi Credit Union Association, and am here to not only share with you the devastation that has impacted our credit unions on the Gulf Coast, but also to share with you the remarkable relief efforts that are underway through credit unions, leagues and national credit union organizations across the country.

In your letter of invitation, you posed several questions that you asked to be addressed at this morning's hearing. For your convenience, rather than trying to mend the answers throughout my statement, I have attached an addendum that provides the answers all together.

Credit unions have always lived by a very simple credo: 'people helping people.' While that philosophy animates America's credit unions everyday, it is especially valuable to our members at times like these. Because of the member-owned, cooperative structure of a credit union, we are uniquely positioned to provide essential financial services to those effected by this disaster. While no one welcomes this disaster, we are doing what credit unions do best: serve our members.

SCOPE OF IMPACT ON CREDIT UNIONS AND THEIR MEMBERS

The devastation inflicted by Hurricane Katrina has had a significant impact on the credit unions and their operations in the states of Louisiana, Mississippi and Alabama. The damage to the credit unions in the areas impacted by Hurricane Katrina is expected to run into the multi-millions of dollars.

In the three states directly affected by Hurricane Katrina, there are combined 535 credit unions with 3.1 million members, and nearly \$18.8 billion in assets. Among these, there were 209 credit unions, with 1.1 million members and \$5.6 billion in assets that were in the areas most grievously affected (as determined by FEMA) by Hurricane Katrina and the resulting flooding. In other words, two out of five credit unions (39 percent) in the three-state area were most affected by the devastation. Those credit unions hold about one in every three (35 percent) of the credit union members in the three-state area, and hold about 30 percent of the total credit union assets in the three states.

Specifically, state by state, for the worst hit areas, affected were 20 credit unions with 228,000 members and \$1.3 billion in assets in Mississippi; 171 credit unions, with 775,000 members and \$4 billion in assets in Louisiana; and in Alabama, 18 credit unions with 76,000 members and \$301 million in assets.

Early estimates from the National Credit Union Administration show that 139 credit unions have been directly impacted, including 17 credit unions in Alabama, 25 in the state of Mississippi, and 95 in Louisiana (of which 93 were in New Orleans, and about 54 completely destroyed in the flooding). Some are facing total destruction in New Orleans and the coastal areas.

The Louisiana Credit Union League office, based out of New Orleans, has been completely destroyed. The League is currently operating out of an office in Baton Rouge, and is still in the process of trying to make contact with credit unions in the New Orleans area. The Mississippi and Alabama Credit Union Leagues are both up and running; however, credit unions in both states are faced with flooding and power outages, forcing some credit unions to close down and making it difficult for them to communicate with the League offices.

The Mississippi Credit Union Association (MCUA) office was without power and phone lines for four days following the storm. MCUA staff instituted daily conference calls from their personal home or cell phones in order to coordinate contact with credit unions and relief efforts for affected credit unions.

Staff from the Mississippi Credit Union Association made trips to the affected area as soon as the roads were cleared and travel was possible. MCUA has delivered donated equipment to credit unions, as well as personal supplies to credit union employees. The Association also coordinated two buses to pick up credit union employees and take them

shopping for personal supplies in Mobile, AL, which was the nearest city with functioning stores at the time.

In addition to the nationwide support from the credit union industry, the generosity of individual credit unions has been overwhelming. Staff from Merrimack Federal Credit Union of Massachusetts made a 3-day drive to Mississippi to deliver a recreational vehicle that was immediately put to use for staff housing. Patricia English with the North Carolina Credit Union League drove a mobile branch, which was donated by Carolina Telco Federal Credit Union, to Mississippi to be used by a credit union that lost their building in the storm.

The credit unions along the Gulf Coast are challenged, to say the least, to provide their own members with the most basic financial services. Nonetheless, their members are, or will soon be, in need of their credit unions.

Myriad efforts are underway across the broad spectrum of the credit union system to assist the victims of Hurricane Katrina, not just with access to financial services, but also with life's necessities of food and shelter.

EFFORTS OF CUNA

While financial assistance will be critical in the long term, the more immediate need is for equipment, technological, and communications assistance to help credit unions reestablish service to their members and communities. CUNA sent out an alert to credit union CEOs and leagues making an appeal for generators, mobile branches and ATMs, and satellite phones. As of last week, for example, an immediate response resulted in satellite phones being sent to the Mississippi League and two to Louisiana to assist in their communication with credit unions. More equipment is being pledged on a daily basis.

CUNA staff is meeting daily via conference calls with the three leagues affected by the hurricane in assessing needs and coordinating assistance for the leagues and their credit unions during recovery. Additionally, CUNA has begun to compile a list of credit union staff willing to provide on-site assistance for credit unions when the need arises, and has set up an online bulletin board for the credit union movement to describe what they can and are ready to do to help.

“Relief Effort and Support of Credit Unions” (R.E.S.C.U.)

The Credit Union National Association and the Alabama, Louisiana and Mississippi Credit Union Leagues have been collaborating with the entire credit union system to assist the 139 credit unions that have been directly impacted by hurricane Katrina. CUNA is focusing the energy of the movement in support of credit unions in the hurricane- and flood-ravaged areas in the Gulf states under a common program.

In addition, the trade association added resources to help credit unions more efficiently make donations and offer support, or for credit unions to find and obtain relief and support.

The "Relief Effort and Support for Credit Unions" (R.E.S.C.U.) has been developed to focus the energies of the movement, while also instilling efficiencies into the relief effort.

CUNA and the leagues had already been accomplishing a large chunk of a relief effort for credit unions, but under various programs, efforts and plans. The R.E.S.C.U. program brings all of these labors under one umbrella, and allows us to more effectively focus the movement's efforts in helping credit unions in Louisiana, Mississippi and Alabama get back on their feet, and continue serving their members.

CUNA and the American Association of Credit Union Leagues (AACUL) had been in contact with the leagues in the affected states immediately after the storm and daily since to coordinate movement response to the needs of credit unions in the Gulf area.

Additionally, CUNA had also issued nationwide pleas among the very largest credit unions for equipment and other resources to be sent to credit unions in the hurricane-affected area to help them begin serving members.

Under R.E.S.C.U., CUNA will continue coordinating relief efforts for credit unions with the leagues, but is also adding a number of resources, including:

- Two "800 number" telephone lines. The first (800-599-1197) is for credit unions to call to find out how to make cash, equipment and other donations for relief to credit unions in the affected states. The second line (800-333-2862) is for credit unions in Louisiana, Mississippi and Alabama (as well as other states) to call to request assistance from the credit union movement.
- A central data base that enables credit unions making donations (particularly equipment and other resources) and credit unions seeking assistance to easily and efficiently match up with another.
- Web assets dedicated to the distribution of information about national, state and local resources relevant to credit unions and the hurricane disaster.
- Continuous updates about federal laws and regulations (proposed and existing) affecting credit unions and service to their members, utilizing RSS news feeds.

CUNA is also working in conjunction with the National Credit Union Foundation and its Disaster Relief Fund under the auspices of the R.E.S.C.U. program to coordinate fundraising and funds distribution from credit unions, and to credit unions in need in the hurricane- and flood-ravaged states.

Additional resources will be added to the R.E.S.C.U. program as needed or identified by the credit union movement.

Through the program, we have been working in five key areas:

Mobilization of Financial Resources: Through the National Credit Union Foundation and their partner state League foundations we have begun to raise funds to assist with credit union relief efforts. Within two weeks we passed the \$1.5 million threshold; however, we are anticipating the needs to be much greater. Contributions can be made contributions on-line.

Soliciting and Collecting Offers of Assistance: CUNA made an initial appeal to the National Credit Union Roundtable, the organization of the movement's largest credit unions, for immediate assistance of generators and mobile offices. We have subsequently made a second request and are pleased with the amazing response. We now have expanded this program to provide three ways for all credit unions to offer assistance (e-mail, web form, telephone) such as equipment or staffing. We will work to match credit union offers with the needs of the affected credit unions.

Adopt – A – Credit Union Program: The brainchild of the Florida Credit Union League, the Adopt-A-Credit Union program has now become a national effort. The magnitude of the devastation continues to emerge and the needs seem to be increasing daily.

Credit unions throughout the gulf region were hit hard with the wrath of Hurricane Katrina and now find themselves with the daunting task of rebuilding their credit unions, in most cases literally and figuratively.

The Adopt – A – Credit Union program is designed to provide these credit unions with the critical human resources and financial support to help them return to the important job of serving their members.

Adopting a credit union is a significant step to take, yet the recovery of the affected credit unions is imperative in all possible cases and will require the wellspring of human, financial, and technical resources that other credit unions can draw upon.

The Adopting Credit Union's Responsibilities: Circumstances will vary at different affected credit unions and the following list is not all-inclusive, but adopting credit unions should be prepared to:

- Address the all-emerging needs of the credit union directly.
- Assign a senior executive liaison to coordinate with the credit union CEO (or designee) of the adopted credit union. Depending upon the circumstances, this may be a full-time job.
- Make a commitment to participate for as long as two-years or until the credit union is fully operational and no longer requires assistance.

- Provide significant financial assistance to the adopted credit union based on needs, e.g. payment of staff salaries, providing temporary jobs for displaced staffs, paying for transportation and housing of staff and/or their families, equipment, etc.
- Provide temporary staffing and/or training for staff of the impacted credit union.
- In instances where the needs are beyond the resources or abilities of the adopting credit union, coordinate with the assigned League and CUNA liaison to marshal the resources to meet the specific needs.
- Work with third-party vendors, particularly core processors to ensure business continuity.
- Work with the credit union and its regulatory agency to ensure business continuity and resolve any outstanding regulatory issues.
- Help develop and implement an ongoing communication plan that keeps members and sponsors apprised of all developments.

Identifying Credit Union Needs including Employees/Volunteers: We have been working directly with the Alabama, Louisiana, and Mississippi credit union leagues to identify the credit unions' and their employees'/volunteers' needs on a daily basis. Because of the increasing needs, CUNA has developed a toll free phone number and on-line web-form for credit unions, their employees and volunteers to communicate their needs directly to the system. We will continue to work with the Leagues to identify needs and coordinate the fulfillment of them.

Emergency Needs Coordination: From the first day after Hurricane Katrina hit the coast, CUNA has been holding daily conference calls with the impacted Leagues and credit union system organizations including corporates, NCUA, CUNA Mutual Group, and other key vendors to marshal resources to meet the immediate needs of Leagues and their member credit unions. From cash deliveries to satellite phones, we continue to meet daily to address the emerging needs and coordinate the system's resources. For example, the next great challenge appears to be temporary housing for employees.

In addition to providing members with access to help to meet their basic needs, it is important to also make sure that in addition to access to funds that we take efforts to suspend some of the safeguards, restrictions, and even fees that are part of every day business. For example, many credit unions are waiving interest and/or principal payments on loans; waiving fees, such as for ATMS, overdrafts, etc.; serving nonmembers from the affected areas as permitted by the NCUA; facilitating the granting of credit by raising loan limits or otherwise easing repayment terms; and using ways other than documents to verify the identity of members. I might add that many have asked what financial institutions are doing to ease the suffering of their customers or members. These are things that credit unions are doing not because they are being urged to do so, but because it is the right thing to do for their members, who in many cases are like family.

EFFORTS OF LEAGUES AND CREDIT UNIONS

The outpouring of humanitarian aid for Katrina's victims, whether in the form of money, equipment or items for basic needs, has been overwhelming. There are hundreds of examples of leagues, credit unions, and others that are doing their best to help ease the pain and repair the destruction. The following is a partial description.

The Florida Credit Union League and its member credit unions are perhaps the most experienced in dealing with the aftermath of a hurricane. The Florida League has pledged their support to the credit union leagues of Louisiana and Mississippi, and the three leagues will be meeting in Pensacola, FL this week for a face-to-face meeting to share their experiences and discuss what assistance is needed.

The Florida Credit Union League will be working with its member credit unions not only to raise money for a special disaster fund (to go to the Louisiana and Mississippi Foundation relief efforts), but offering them the opportunity to "adopt" an affected credit union, helping with operational needs, supporting the economic reconstruction of the affected areas with lending programs to support the local community needs, as well as helping with personal needs of the families of credit union volunteers and staff.

The Florida Credit Union League itself will be "adopting" the staff of the Louisiana and Mississippi Leagues, helping league employees rebuild their families and lives. Many at the League are offering their homes to any affected League staff that are able to live in Tallahassee for a short time, providing space to work out of the Florida League offices. As we speak, this concept of "adopting" a credit union has proven so popular, that it is expanding nationwide with the assistance of CUNA.

Individual credit unions, corporate credit unions and league efforts include:

Several Houston area credit unions, including PrimeWay FCU and Associated CU of Texas, have offered mobile units to give stranded families access to their funds. People's Trust FCU – formally Shell Employees FCU – will serve as a hot site for Shell New Orleans. Several other Texas credit unions are offering guest accounts, no-fee accounts, and check-cashing services.

Just outside of Shreveport, LA, Barksdale Federal Credit Union is opening its doors to credit union members who fled the New Orleans area, Mississippi and Alabama. The credit union has made arrangements to cash checks up to \$200 for credit union members who have traveled to the area. Services will be provided to those with some evidence that they are members of a credit union, such as a checkbook or debit card with a credit union logo. Barksdale FCU is also waiving wire transfer fees, and it will help facilitate a loan if it can contact the other credit union. And, credit union staffs aren't just standing by to help members when needed. Employees are also providing home-cooked meals to hurricane victims staying in the hotel next door to the credit union.

Southeast Corporate (Tallahassee) has established a task force to coordinate operations efforts in support of its members' immediate and near-term business needs. The task force is a multidisciplinary team from throughout the corporate that is working in coordination with regional and national credit union organizations.

Southwest Corporate (Dallas) has also established a Disaster Recovery Team to assist in a wide variety of areas, including lines of credit, settlement, etc. Southwest has already helped a few member credit unions in affected areas by getting updated balances to ATM systems to ensure member funds were available. Southwest Corporate has made a \$100,000 donation to help establish a Louisiana Credit Union Recovery Fund.

The California Credit Union System activated its disaster relief fund to coordinate credit union contributions in California and Nevada, which will be collectively forwarded to the NCUF. The California League and CU Direct Corporation are matching donations to credit unions and charitable organizations made by employees. The League is matching any individual staff contributions up to a total of \$25,000.

The New Jersey Credit Union Foundation, New York Credit Union Foundation, Missouri Credit Union Charitable Foundation, and the Pennsylvania Credit Union Foundation have all set up disaster relief funds.

The Oklahoma credit unions, through their Foundation, quickly surpassed their initial goal of \$50,000 and have set a new goal of \$75,000 for their Katrina Relief Fund effort.

The Texas Credit Union Foundation issued a statewide appeal, already receiving pledges for \$50,000 for the hurricane relief efforts from the state credit unions movement.

The Pennsylvania State Employees Credit Union will match member contributions for Hurricane Katrina up to \$250,000. Credit union members can use PSECU's free bill payer service to make one-time or recurring donations to one of five relief organizations.

GTE Federal Credit Union's (Tampa, FL) Charitable Foundation board of directors has voted to make donations to the American Red Cross Hurricane Katrina Relief fund dollar for dollar to match its members' individual contributions.

Eglin Federal Credit Union in Ft. Walton Beach, FL has been cashing checks for members of credit unions in the effected areas. They also have taken two generators, fans, lights, gasoline, and other equipment to the University of Southern Mississippi Credit Union in Hattiesburg, MS. Their IT personnel assisted in setting up their PCs.

The following is a summary of actions taken to date by Chevron Texaco Federal Credit Union (CTFCU)

(1) With access to cash being among the most urgent needs, CTFCU shipped \$100,000 in cash via special courier on Saturday to Chevron Pascagoula Federal Credit Union. A

second cash shipment of \$400,000 will arrive by Thursday. The cash is being provided in the form of an interest-free loan to Chevron Pascagoula FCU.

(2) The credit union is offering emergency relief loans of up to \$25,000 to members in affected areas. The loans are of two forms: if Chevron employees, available at a rate below the Prime Interest Rate (guaranteed by Chevron Corp); if non-employees, available on an unsecured basis at a rate below its best unsecured rate. It also has automatically extended all payments and waived all late fees and credit reporting for a minimum of 90 days for borrowers in the affected areas.

(3) It is in the process of shipping an ATM/cash dispenser to Lafayette, Louisiana, a site where many New Orleans-based Chevron employees are being relocated. The local credit union, CUSA FCU, is out of service.

There are a number of things that the Boeing Employees Credit Union (BECU) is working on to help affected credit unions and their members. First, it has waived its maximum matching dollars for contributions from its employees to the Red Cross, so it will match anything that is contributed. For its approximately 300 members in the affected area with about \$1,000,000 in loans, BECU has instituted its Income Interruption Program. This defers payments on loans and provides for emergency loans for things such as house payments, food and medical needs. These can be up to \$10,000. BECU has already sent some satellite phones for use in the area, and is putting together a list of other resources that it will make available. BECU has in excess of 10 ATMs that are ready to be committed, along with a great deal of furniture and IT equipment. BECU also is contacting officials to see if there are things they can do for about 2000 people who are being sent to Fort Lewis, WA, both in terms of financial services and living needs.

The Carolina Postal Credit Union has teamed up with a popular talk show host to spur American Red Cross donations, which as of September 1st has raised \$131,000 and brought in 10 semi-trucks of supplies. State Employees Credit Union in Raleigh and the Carolinas Credit Union Foundation are collecting donations at 187 branches until September 30th for the NCUF.

Eastern Financial Florida CU, in Miramar, FL, has declared September as "American Red Cross Month" and will focus on raising funds for the American Red Cross relief fund.

The Virginia Credit Union, in Richmond, Virginia, will be matching 100% of the funds donated by its 450 employees during September.

Aerospace Community CU, St. Charles, is matching all funds collected at branches through September 15, proceeds to go to the Salvation Army's hurricane relief efforts.

EFFORTS OF OTHER CREDIT UNION SYSTEM MEMBERS**National Credit Union Administration (NCUA)**

A vital consideration has been member access to their funds when their credit union is not operational. CUNA was pleased, therefore, that the National Credit Union Administration (NCUA) issued a temporary ruling last week that will allow federal credit unions to provide assistance to other credit unions and non-members in the areas affected by the hurricane under certain conditions:

"A federal credit union may provide services to persons who are members of another credit union under their correspondent services authority.

Emergency financial services for non-members, including the services of check cashing, access to ATM networks, or other services to meet short-term emergency needs of persons in the areas affected by the hurricane, can be provided under the authority to engage in charitable activities. Federal credit unions providing services on a charitable basis may not impose charges for services that exceed their direct cost."

NCUA's announcement and guidance will be vitally important in enabling credit unions to help more people regain their footing. Credit unions and leagues from across the country are working in true cooperative fashion, looking for ways to assist those in the devastated areas.

National Credit Union Foundation (NCUF)

The National Credit Union Foundation (NCUF), the national charitable arm of the credit union movement, has activated its National Disaster Relief Fund to provide a channel for contributions from within the credit union system to support credit union disaster relief and rebuilding in the affected areas. Funds raised via the NCUF Disaster Relief Fund will be disbursed through the league or state foundation for use at the local level. In the immediate future, NCUF foresees the funds being used to provide emergency relief for such necessities as housing, food and transportation to credit union and league staff, volunteers and members.

NCUF has already received pledges of between \$1.25 and \$1.5 million for the relief efforts.

CUNA has made an initial contribution of \$10,000 to NCUF's National Disaster Relief Fund, in addition to coordinating several assistance programs.

Shared Branching Network

A unique aspect of the credit union system is the concept of credit unions joining together to share physical space and services to their members. In this time of crisis, the shared branching network has been an added relief for many credit unions in the affected areas. Credit unions that participate in the network are able to send their members to other credit unions participating in the shared service centers to access their accounts. For the credit unions in the hurricane's hardest hit areas that are not part of the shared branch network, CEO's are working to set up agreements with other credit union CEOs in order to back each other's member transactions, within limits, on an emergency basis.

For example, one network reports that it has connected 3 new credit unions in a 24 to 48 hour time frame. They have several more that are in the "pipeline" to go on shared branching in the Hurricane stricken area. These include both Louisiana and Mississippi credit unions. Alabama was able to have all of their shared branching credit unions up and functioning within a day or two. Some of the states involved with this network have offered special off-line programs to the members of the credit unions in the Hurricane area. For example, \$200.00 withdrawals were allowed by the members in certain states without on-line verification and the states agreed to stand behind any losses. Staff has been assigned to work specifically with the credit unions effected and provide a simple way for the credit unions to utilize shared branching. What this action means is that all of the credit unions that are on shared branching can be assured that their members can access their accounts across the nation. The networks have worked with the data processors to develop connectivity as rapidly as possible. Any adjustments that have to be made because of the disruption are being done at no cost to the credit unions or the members.

It is estimated that there may be up to 30 or so new credit unions that will come on the system to offer service to their members. Many of these credit unions are smaller ones and there is an effort to make it economical for the credit unions to come on the system rapidly. This is a great way for the smaller credit unions to continue to serve their members. It has reportedly been said by regulators, league executives, and others that shared branching was a "God send" for the credit unions in this instance. One network is doing totally nearly 4 million transactions per month and the other networks are also doing combined around 3 million. The great story in the shared branching arena is that members were and are able to access their accounts wherever they are located. For example, Texas actually is thinking about setting up more acquirer locations to serve those displaced members. It is one big cooperative effort.

CUNA Mutual Group

CUNA Mutual Group, a leading provider of financial services to credit unions and their members worldwide, already had local field staff and catastrophe adjusters in place before the hurricane hit. They are now working tirelessly to assist the credit unions in the

damaged area to resume their business operations, though due to the widespread damage, it is expected to take close to two weeks for CUNA Mutual to complete the assessments.

CUNA Mutual is also helping credit unions and their members remotely by establishing call centers, hosting websites, addressing insurance coverage questions and making financial contributions. Among them:

- The LoanLink Center (TLC), a remote lending call center, owned by CUNA Mutual and credit union leagues, is assisting one of the largest credit unions in southern Mississippi to regain basic business functions. TLC is hosting the credit union's website and telephone call center to provide members with basic information and to help with loan applications. TLC is also working with other customers to help regain basic business functions.
- Claims teams are assisting members and credit unions with MEMBERS Auto Insurance and MEMBERS Homeowners Insurance program coverages, which are underwritten by Liberty Mutual and Progressive Insurance.
- CUNA Mutual Mortgage Corporation has placed a block on any new assessment of late charges and credit bureau reporting for credit union members who have mortgages serviced by CUNA Mutual Mortgage in counties declared disaster areas by FEMA due to Hurricane Katrina.
- CUNA Mutual gave a \$150,000 donation to the NCUA's National Disaster Relief Fund to help credit unions in the Gulf Coast region affected by Hurricane Katrina.

National Federation of Community Development Credit Unions (NFCDCU)

The NFCDCU has reported that several CDCU's in the New Orleans area are still not accounted for. Many throughout the New Orleans and Mobile area suffered looting and destruction of property. One of its largest members, serving nearly 100,000 people, had to evacuate all of its branches in the New Orleans area and move its operation to Baton rouge. Meanwhile, CDCUs in Shreveport, Birmingham, and other areas are receiving evacuees, mobilizing assistance, distributing aid, and helping people take the first steps to rebuild their lives. The CDCUs, like all credit unions, will face losses, and many borrowers will be unable to repay their loans.

LEGISLATIVE RELIEF

Whether through temporary or permanent measures, Congress can play a role in assisting credit unions and other financial institutions in meeting the needs of the victims of Hurricane Katrina who may still be in the affected areas or may be scattered around the country.

We have seen several ideas on how to help Katrina's victims, including indemnification programs for cashing checks and waiving some of the Federal Reserve's fees. Each of these have merit and promise to provide a measure of relief for both individuals who have suffered losses and the financial institutions that are attempting to help them.

Inadequacy or Lack of Flood Insurance Coverage

Flooding from Hurricane Katrina was unprecedented, reaching further inland and higher ground than any other flooding event in history. Countless homes and businesses were destroyed or severely damaged. Many of these properties, because of where they were located, were not covered by flood insurance. Unless the owners are reimbursed in whole or part by FEMA or some other government program, they will be wiped out and in many cases, forced to abandon their homes or businesses, and perhaps forced into bankruptcy. And for many of those fortunate enough to have carried flood insurance, the payments will not be sufficient enough to cover their losses, possibly leading to similar results for some of the uninsured. Given the cataclysmic extent of the destruction caused by Katrina, for the sake of the thousands faced with unthinkable choices, I ask whether the government can find a way to provide these people with the hope of returning to their homes by granting them some form of financial relief.

The Need for PCA Relief in the Wake of Katrina

The loss of homes and businesses will have far reaching effects beyond the property owners themselves. Financial institutions will face losses as a result, as well. Many of the loans will no longer have secured property in back of them. This will cause significant stress on their portfolios. So from a unique credit union perspective, perhaps one of the most meaningful things that Congress can do is to address the problems associated with capital issues that will be facing our members.

There are serious concerns that going forward, the efforts for recovery of affected credit unions, as well for assistance from other credit unions, will be significantly limited by restraints imposed on credit unions under prompt corrective action (PCA).

That is because PCA, in effect, not only forces credit unions to restrict growth that results from the deposit of new funds, but also requires NCUA to impose significant regulatory sanctions on credit unions that face declining net worth.

Considerable PCA concerns may be faced by a number of credit unions in the path of Hurricane Katrina, due in part to the relocation of their membership, as well as to the uncertain future of their communities. Issues such as non-performing loans, which are a very real concern, would exacerbate the situation. And be assured, many credit unions themselves were destroyed, as were the assets of many of their members. In addition, growth concerns will arise once members begin receiving insurance checks and deposit them in their credit unions.

As structured under the statute, NCUA, unlike banking regulators, has limited flexibility to work with credit unions that encounter PCA problems, even if those problems are the result of a catastrophe outside of their control. Also, NCUA may be required to impose net worth restoration plans on some credit unions in the affected areas, for which the credit unions would have to divert resources from their operations. Such plans also would provide the agency and the credit unions very few options in addressing extraordinary situations that have been spawned by Katrina.

Further, other credit unions outside the Hurricane's path are willing to help in a variety of ways, including by offering services, as permissible, to displaced individuals. They also may be willing to purchase loans from affected credit unions. However, their ability to help will be seriously tempered by PCA, particularly in the area of problematic loans.

While CUNA believes that PCA changes as proposed by the NCUA and embodied in H.R. 2371, the Credit Union Regulatory Improvements Act, should be made permanent, we urge Congress at this time to provide NCUA temporary authority to waive certain PCA requirements. This authority should be applicable for credit unions in the affected areas, as well as those seeking to provide economic assistance through the purchase of loans or other financial means, consistent with safety and soundness. We believe such a step would be essential in enhancing the ability of the agency and the credit union system to assist credit unions in need following Katrina and to help devastated communities regain their strength.

CONCLUSION

The list of relief and support efforts from within the credit union movement is growing on a daily basis, and the actions of our members are too numerous to capture at this time. CUNA and its member credit unions are committed to working in the aftermath of Hurricane Katrina to help league and credit union staff, volunteers, and members rebuild their lives, communities, and financial well-being. It will be a long and difficult road for the victims whose homes and communities were devastated beyond repair, but the credit union movement is prepared to help the people, families, and communities regain their financial independence and a secure future.

**SUBCOMMITTEE QUESTIONS FOR WITNESSES AT THE HEARING OF
SEPTEMBER 14, 2005**

- 1. What are the greatest challenges your institution faces in ensuring that victims access to their accounts? Are there temporary legislative remedies that can facilitate access to these accounts?**

There are several problems that affected credit unions have had to deal with. These include credit unions not being operational or having branches/ATMs that are not operational in certain areas. Initially, there were also issues of cash availability and issues relating to a lack of proper identification for some members.

The biggest challenges, however, may be related to the complete devastation of large regions and members unwilling to return to their former communities. Thus, rebuilding communities with the specter of fewer people in those areas to support their credit unions may be the most difficult problems credit unions face. This could result in significant capital problems for many credit unions, especially smaller ones. PCA reform along the lines described in the testimony and as proposed by the NCUA would be a major help in keeping such credit unions open and able to provide their members' access to their funds.

Other proposals, such as indemnification for cashing checks, could be helpful, too.

- 2. There have been several proposals to aid small and medium businesses affected by the hurricane through "fresh start" programs in which interest payments on business loans would be capitalized for a period of time. How would this type of program work? Is legislation required to do this?**

There are many ways such programs could be funded. These include allowing an affected credit union to write off the lost interest, as long as authority could be provided to NCUA to allow a credit union to do that without it impacting the credit union's net worth ratio. NCUA, working with the state regulators in the case of state credit unions, could also provide assistance to the affected credit unions. Additionally, credit unions that were not affected could provide charitable contributions to the affected credit unions, or they could purchase loans from the affected credit union's portfolio that could help provide financial resources for that credit union to forbear on interest payments.

- 3. Please describe in detail your plans for the mortgage payments from victims of the hurricane. Will there be an amnesty period for these individuals?**

We understand that some affected credit unions are considering such plans, which could be funded as described above.

- 4. What impact would a waiver of Federal Reserve fees for services such as wire transfer or cash shipments have to a region affected by the hurricane? Would this result in a significant benefit to customers in the affected area?**

It would help but some credit unions are not significant users of the Fed's services.

- 5. As a result of the hurricane is there increased urgency for deposit insurance reform? Should the coverage limits be increased?**

As a general principle, CUNA has never had a position on whether rates should be increased or not, but has always maintained that an increase for FDIC coverage must be accompanied by an identical increase for NCUSIF coverage in order to preserve our members' confidence that the fund is equally backed by the U.S. Government.

In that regard, it is estimated that approximately 5 percent of credit union deposits in the affected areas exceed \$100,000. This could be helpful, therefore, to those individuals, as well as those in FDIC-insured institutions and is worth consideration. The issue of how it would be paid for should also be considered. Credit unions, unlike the banks, fully fund their share insurance fund, the National Credit Union Share Insurance Fund. However, if based on the facts Congress determines this step would help victims, questions of how it would be paid for should be secondary.



American Financial Services Association
919 Eighteenth Street, NW • Washington, DC • 20006
phone 202 296 5544 • fax 202 223 0321 • email afsa@afsaonline.org
www.afsaonline.org

The Market Funded Lending Industry

Statement

Of

David Gibbons
Senior Executive Vice President
Chief Risk Officer
HSBC – North America

On Behalf Of

The American Financial Services Association

For Delivery To

The Subcommittee on Financial Institutions and Consumer Credit
Committee on Financial Services
U.S. House of Representatives

Hearings on Hurricane Katrina: The Financial Institutions'
Response

September 14, 2005
Washington, DC

Mr. Chairman and Members of the Subcommittee:

My name is David Gibbons. I am Senior Executive Vice President and Chief Risk Officer at HSBC North America Holdings. Prior to joining HSBC, I was employed by the Office of the Comptroller of the Currency (OCC), most recently holding positions as Deputy Comptroller for Credit Risk and Deputy Comptroller for Special Supervision. Today, I am testifying on behalf of the 300 members of the American Financial Services Association (AFSA).

The American Financial Services Association, of which HSBC is a member, represents companies that lend to consumers and small business. AFSA members, simply, help individuals and families buy the houses they call home and buy the cars that give them access to work. We help small businesses raise capital to grow and to create jobs.

HSBC North America is one of the nation's 10 largest financial services firms, with business units that offer a full range of banking and lending products. HSBC Group companies – including HSBC North America – operate in nearly 80 countries and territories around the world. In the United States, HSBC engages in the commercial banking business with the operation of more than 400 HSBC retail bank branches, and we are also a top mortgage, credit card and auto lender as well. And under the brand names of HFC and Beneficial, we are one of the country's largest consumer finance companies with some 1,400 offices located in 46 states.

Our customer base is as diverse as we are, as we serve both prime and non-prime consumers.

HSBC is among those members of AFSA who serve customers who live and work in regions of the Gulf Coast that were so dramatically impacted by

Hurricane Katrina. We have consumer finance branch operations in Louisiana, Alabama, and Florida.

Customer Concerns

Like scores of organizations in the public, private and non-profit sectors... we moved swiftly in the days after Hurricane Katrina reached landfall to support rescue and recovery efforts. It is with great pride that I say that AFSA members have contributed more than \$45 million to efforts so far. With companies like HSBC matching employee contributions, and with more aid assuredly on the way, that number will undoubtedly rise, and rise significantly. We recognize that, while our industry deals in **financial** services, our business is in **customer** service. If we all don't take steps to protect our customers, to give them opportunities to rebuild, then we do a disservice to them and to ourselves.

And the work has begun. Our industry has extended a hand to those individuals and families who have been directly affected by the hurricane. For example:

AFSA members are working with customers individually to accommodate their needs and to help them get on their feet. HSBC customers who live in FEMA-designated Individual Assistance areas may delay their September payments by 30 days as they tend to their immediate personal needs. This decision, I might add, was made just hours after the media began broadcasting images of destruction. We, like all AFSA members, stand ready to provide further assistance in the coming weeks, as the needs of our customers become clearer.

The association has heard from many lenders who have waived late and over-limit fees for hurricane survivors facing new, incredible demands on their finances; men and women who frankly may have no way to submit payments and stay under their limits, but who need our assistance nonetheless. This

assistance is vital for those who are faced with bills for hotels and other temporary lodging, meals, transportation and clothing – bills they could never have anticipated just three weeks ago.

HSBC has waived cash-advance fees for the same reason. And as encouraged by our regulators, we are delaying the reporting to credit bureaus of credit-related information.

Members of AFSA also are offering emergency lines-of-credit increases for many credit card and mortgage customers to help them get over what we hope is just a temporary cash-flow problem, but which we in this industry know may be a sustained crisis. Because of the uncertainty our customers face, we stand ready to work with them individually to meet their needs and to help them get back on their feet.

Employee Involvement

It's important to note that employees of AFSA members have made tremendous investments of time and money in the relief effort. They are literally opening the doors of their one, two and three-bedroom apartments to dozens of family members, friends and neighbors. Right now, HSBC has nine employees who have opened their hearts – and their homes – to 100 people. One employee's household has grown to 40. For those employees whose homes were damaged, HSBC has reserved hotel rooms and is locating new housing and offering relocation assistance. Just this week, we helped to reunite a mother and daughter who have been separated for two weeks.

And more is happening. Employees at HSBC across the country are conducting fundraisers and collecting donations. With just 48 hours' notice, some 1,000 HSBC volunteers joined hundreds more at Capital One and other

private companies to accept contributions during a September 2nd concert to benefit the American Red Cross. We're prepared to do it again, if need be. And there are teams at our headquarters keeping in touch with employees who have been affected, ensuring they get their paychecks even though several of our branch offices remain closed, and making certain they know of public services being offered. Thousands of employees throughout the financial services industry have stepped to the plate, making further contributions of their time, money, energy and talents. Individuals are helping families. Neighbors are helping neighbors.

Working Together to Rebuild

As our nation moves from the stage of rescue and recovery to the stage of rebuilding, it is of utmost importance that we establish a platform upon which hurricane-affected individuals and families can rebuild. To do that, we believe, government, the nonprofit community and the private sector must join together to ensure that the whole of our efforts are indeed greater than the sum of each sector's part.

As we rebuild, there are certain priorities that we in the financial services community believe we must share with the public sector to ensure that hurricane-affected families have access to the capital and credit they need to rebuild their lives.

These families and their private sector lenders will need the support of government in finding creative, but safe and sound, ways to make it easier for families to rebuild. As we have all witnessed, many thousands of homeowners in the region have had their homes and possessions either totally destroyed or significantly damaged by the devastation of Katrina. Many customers will find that their property values have declined to levels significantly below the outstanding balances on their mortgages and now face the daunting challenge of

incurring additional debt, and debt service burden, to rebuild their homes and their lives. We – private sector lenders and government agencies at all levels – must work together to ensure that these individuals and families can afford to service their debts on what they already owe and on the incremental debt they may need to incur to rebuild. But as financial managers, we are also aware that the financial resources of government at all levels are in many cases already limited on the revenue side by tax policy decisions. In fashioning our rebuilding efforts, we all need to be aware of the impact that policy decisions may have on prudential national monetary and fiscal policies. We must ensure that our efforts do not impair the long-term ability of the U.S. economy to produce private-sector jobs and to compete in a global market.

Policy Recommendations

AFSA is appreciative of the Subcommittee's request for its members input on several legislative proposals under consideration to provide relief to victims and the financial service providers in the region that include:

- Temporarily increasing the deposit insurance coverage from \$100,000 to \$130,000 to improve confidence in institutions and the financial system as a whole, as well as to protect the expected influx of funds for rebuilding efforts;
- Providing an indemnity for institutions that accept checks from victims of the hurricane with limited identification;
- Permitting financial institutions to capitalize interest on loans to businesses;
- Encouraging the waiver of fees associated with wire transfers and waive disclosure requirements in the affected areas;
- Developing pooling mechanisms for businesses and institutions to rebuild and to meet salary demands;

- Relaxing prompt corrective action standards so that institutions from the region that face impaired capital levels will not have to face a reorganization process or closure;
- Requiring the federal home loan bank system to give priority consideration to affordable housing programs.

Due to the immediate need for today's hearing, AFSA is still in the process of gathering input from its members on these proposals. However, all of these initiatives seem to be reasonable approaches worthy of additional action by Congress and the appropriate financial regulatory agencies. AFSA looks forward to working with the members of the Subcommittee on further refining these concepts in the weeks ahead.

While AFSA is in the process of developing its input to advise you, we do wish to offer some recommendations of our own for your consideration in the following areas:

- **Immediate regulatory recommendations to help victims of Hurricane Katrina**

First, consistent with the efforts of the Federal financial regulators working through the interagency coordination process to encourage financial institutions to ease customer identification requirements, it would be appropriate to pursue administrative changes relaxing certain Bank Secrecy Act, Know-Your-Customer, and Privacy – or inter-company data-sharing – requirements for those individuals and families needing the help of the financial services sector to reestablish their access to cash and credit. Affected individuals may no longer have the forms of identification that would be required to transact business. Further, it may not be practical for an individual with several financial services products from large diverse institutions to call multiple affiliates of those institutions. At HSBC, we have established a widely publicized toll-free number for our customers (1-866-

727-4722), and we would hope to be able to use that number to meet our hurricane-affected customers' product needs without running afoul of the law, notwithstanding the HSBC affiliate with which they do business.

Second, because it is important to get cash into the hands of these consumers – and to enable them to keep more of their own funds – we believe it prudent for the bank regulators to delay implementing supervisory policy that requires lending organizations to assess higher minimum payments on their credit cards. At the very least, these rules should be deferred for those families affected by Hurricane Katrina who will need to maximize their disposable income after debt service in order to access basic necessities and rebuild their lives. As well, we believe bank regulators should be asked to more broadly reconsider the timing of the implementation of higher minimum credit card payments. With gas prices up significantly in the past year and home-heating costs expected to be higher this winter, now may not be the time to ask low- to middle-income families to shoulder yet another financial burden by raising their minimum credit card payments. While AFSA, HSBC and others do not dispute the spirit and intent of the policy, we question whether the timing of its implementation remains appropriate for the economy in the near term given significantly higher fuel prices and the catastrophic damage caused by Hurricane Katrina.

- **Longer-term policy issues requiring legislative and regulatory actions to help victims of Hurricane Katrina**

In terms of longer-term policy issues, we believe that there may be significant environmental issues that will need to be addressed as we learn more about the extent of the damage caused by flood waters, described in the news media as “toxic soup.” Home lenders will need government cooperation and guidance to ensure that the land our customers rebuild on is safe from biological and/or chemical contaminants left behind by receding floodwaters. The Subcommittee is certainly aware of the many commendable efforts of the Federal

financial regulators to work together to address the operations needs of financial institutions. This spirit of interagency cooperation will need to be expanded to include the Environmental Protection Agency (EPA) and other appropriate agencies to develop environmental clean-up and assistance policies that foster a safe environment for residents and for private sector lenders in hurricane-affected areas.

Second, Hurricane Katrina is expected to require the insurance industry to pay out nearly \$60 billion in damage claims. While the supervision and regulation of insurance is primarily a matter of state jurisdiction, Congress has wisely provided some limited Federal insurance coverage to consumers and to business through the National Flood Insurance Act and the Terrorism Risk Insurance Act (TRIA). Prior to the August 29 hurricane and flood, Congress was actively engaged in discussions on extending the TRIA program beyond its December 31, 2005 expiration date, and we would encourage the Committee on Financial Institutions to stay on course to markup H.R. 1153 at the earliest practical date. Given the enormity of the flood damage from Hurricane Katrina, displacing millions of people from their homes and flooding more than 80 percent of New Orleans, Congress and taxpayers will all be rightfully questioning the policy underpinnings of the National Flood Insurance program. From an operational viewpoint, one of our company's foremost business concerns is what we can and should do to help our customers rebuild homes that have suffered flood insurance damage that in many cases were either not covered by flood insurance policies or that were under-insured.

Third, AFSA members applaud the efforts of the Federal bank regulators who are working with their institutions to ensure customers access to banking facilities, cash and credit. Just last week, the Office of the Comptroller of the Currency broadened its interpretation of "temporary hardship programs" for credit card customers so that flexible supervisory treatment is given to those affected by the hurricane with all forms of consumer credit. This is clearly a proactive and

empathetic response. It's important to note, however, that many AFSA members are not banking organizations, and therefore may not be allowed the same flexibility to work with their hurricane-affected customers. To that end, we would ask you to work with the Securities and Exchange Commission and state regulators to ensure that non-bank lenders who have provided so much credit to the region and who are critical to its rebuilding efforts are afforded the same flexibility to work with their hurricane-affected customers as has been afforded to the banks and other depository institutions.

Lastly, and I say "lastly" while recognizing that it will take a good deal of time for all of the effects of the hurricane to become known, some of the new loans we'll make to customers that enable them to rebuild may be backed by FEMA or other government agency guarantees. To ensure customers get the best loans at the lowest rates, government must ensure that the financial institutions who are sharing in the credit risk are not relegated to the back of the line in the case of default. Subordinating our lien position behind the U.S. government's may ensure the government is first in line to collect in case of default, but most assuredly will increase the financial risk to the lenders, which inevitably leads to higher rates – and higher payments – for all consumers, not just those in the hurricane-affected areas.

Mr. Chairman and members of the Subcommittee – there is much that needs to be done. We all have taken the first of what we believe will be many, many steps to rebuild what Hurricane Katrina has damaged. We are contributing to the relief efforts. We are matching our employees' contributions. We are giving our customers the flexibility they need, and we are working with those customers to find solutions that work for them, individual by individual, family by family.

By working together, the public and private sectors can help individuals and families rebuild their lives, their homes and their communities.

121

11

I thank you for this opportunity to testify before you today, and I will be pleased to answer any questions you may have.

Testimony of
America's Community Bankers
on
"Hurricane Katrina: The Financial Institutions' Response"
before the
Subcommittee on Financial Institutions and Consumer Credit
Of the
Committee on Financial Services
Of the
United States House of Representatives
On
September 14, 2005

Diane Casey-Landry
President and Chief Executive Officer
America's Community Bankers
Washington, DC

Chairman Bachus, Ranking member Sanders, and Members of the Subcommittee, I am Diane Casey-Landry, President and CEO of America's Community Bankers.

I want to quickly mention that the members and staff of ACB have sent their thoughts and prayers to the victims of Katrina, as well as much-needed donations to relief organizations through our foundation. And we strongly urge everyone to reach deeply into their pockets to assist those who are suffering in Louisiana, Mississippi, and Alabama. ACB staff has been in constant contact with all of our community bank members in the affected areas where possible. Initially, 13 of our members among the 280 institutions in the potentially affected areas could not be contacted. Gradually the banks are in the process of re-establishing operations, although often from temporary or remote locations. We are continuing to talk with bankers, who, with their employees, have been victims of an unprecedented natural disaster. In addition to our appeal for general relief efforts, community banks are ready to provide resources and lend support to the affected institutions, as well as their employees.

ACB's testimony today will be in three parts. First, I will be giving a brief update on behalf of the people directly on the ground in the hurricane-ravaged areas. I have been in regular contact with Dan Digby, president of the Community Bankers of Louisiana, and Peter Gwaltney, president of the Louisiana Bankers Association. With their permission, I will be summarizing the updates I have received as recently as this morning. The second part of our testimony will cover what community banks in the affected areas are doing to help their customers and fellow citizens, and how they are beginning to work toward recovery. The third and final part will

address what Congress, the Administration, and banking regulators can do to make this recovery faster and safer.

Update from Hurricane Katrina Affected Areas

“The devastation is truly shocking and overwhelming.” That is how Mr. Digby often begins our conversations. Immediately following that statement he always adds with great pride and enthusiasm the many ways in which community banks in the area are helping each other. He said the help ranges from office space, to backroom assistance, to shared-employee arrangements. In fact, Mr. Digby has several banks operating out of the Community Bankers of Louisiana’s boardroom in Baton Rouge.

Both Mr. Digby and Mr. Gwaltney have emphasized that Louisiana Banking Commissioner John Ducrest and his State Financial Institutions staff have done an outstanding job and have been fantastic in providing assistance and guidance where needed. I would add that both Mr. Digby and Mr. Gwaltney have also done an outstanding job on behalf of the banks in Louisiana.

However, Mr. Digby wants it known that there is a perception gap between the reality of what is going on in the hurricane affected areas and what regulators believe is occurring. The fact is community banks are not fully operational in the worst hit areas. Just because a regulator made contact with a president or CEO of a bank electronically, or that banks have a temporary office running, like the banks currently operating out of his boardroom, does not mean that those banks are fully operational. Picking up a “cash letter” does not mean a fully functioning bank. Many of these banks are not fully operational because they cannot offer many services to their customers

or the public. In some instances, the leadership of community banks are still searching for missing employees and loved ones.

Mr. Digby has also informed us that liquidity remains a concern. Because of substantial damage to the infrastructure, including loss of electricity or telephone service, it has become a cash economy in the affected areas. The Federal Reserve must continue to provide appropriate liquidity to banks in the region during a time when we expect deposit withdrawals by customers to address the greater than usual reliance on cash transactions. Similarly, greater liquidity is needed in instances where displaced bank customers, often far from home, may be compelled to withdraw funds from local banks in order to use alternative banking facilities where they are located.

Another point Mr. Digby wanted me to make in his update to the Subcommittee is that community banks throughout the Gulf Coast region are extremely concerned about check-cashing. The community banks that are operational are cashing checks with limited identifications and they fear that bank examiners will come in a year or 18 months from now, and cite them for violating check-cashing procedures and rules. They are concerned even though they know it is the right thing to do under the current circumstances, and they have been encouraged to do so by various regulators without written guidance to rely upon.

A final point Mr. Digby emphasized was that many loans will need to be restructured to accommodate customers. While these debt restructurings are occurring, banks will need the regulators to relax their historical expectations and limits on loan delinquency reports and loan

loss reserves. While the regulators are cooperating with the banks right now, this leniency will be most critical for the banks for many months to come.

What Community Banks Are Doing for Their Customers and Victims of Hurricane

Katrina

ACB members have contributed money to Hurricane Katrina relief efforts through the American Red Cross and numerous other disaster relief organizations. In addition, community banks from across the country are volunteering their assistance in relief efforts—we have seen this directly in our Bankers Helping Bankers program, which ACB created to aid our members.

Community banks have back-up plans and procedures in the event of disasters such as Hurricane Katrina. As catastrophic as this hurricane was, many banks have met the challenge by setting up tables outside their headquarters or branches. Some are even operating out of warehouses and other safe office buildings. In fact, we have been told of community banks making handwritten receipts to complete transactions. They are doing whatever it takes to serve their customers and the victims of this tragedy.

Banks in the surrounding communities of the most affected areas are also stepping up to the plate. They are lending their facilities, including back-office support, computers and even personnel, so customers of damaged community banks can be served.

Community banks are also doing whatever it takes to have cash on hand so their customers have access to their money. We were recently told of a bank president personally driving around to

business customers with excess cash, collecting their cash deposits and providing a handwritten receipt to the business owner. All so his customers would have access to much-needed banking services.

Since community banks know the communities they serve, they also know their customers, often on a first name basis. Because of this, community banks can more easily provide services with little or no identification when necessary. In addition, community banks are cashing checks from non-customers whenever possible.

To take it a step further, community banks are waiving ATM fees, extending grace periods to customers in the affected areas, waiving late fees, suspending mortgage payments for 60 pr 90 days and developing alternative payment plans, not reporting delinquencies to credit bureaus, and providing penalty-free CD withdrawals. These are just some of the direct ways community banks are helping their customers in the Gulf Coast region. But with this unprecedented cooperation from banks to help each other, their customers and non-customers alike comes a very real risk, and that is where Congress can help

What Congress, Banking Regulators and the Administration Can Do to Further Help

There are many opportunities for Congress, banking regulators, and the Administration to help community banks in the Hurricane Katrina-affected and surrounding areas.

First and foremost, the White House, Congress and banking regulators must be diligent in communicating and advertising that the U.S. banking system, and the FDIC-insured banks that

make up that system, are safe and sound. This is particularly true for community banks whose footprint is limited to the affected areas. They must all bolster public confidence in community banks in the Gulf Coast region to help avoid liquidity problems, unnecessary withdrawals and account closings. It was wonderful hear on Monday that the first transactions at several community banks that opened branches in Jefferson Parish were account openings!

Second, community banks in the region must be protected by legislation providing indemnification for bad checks. Community banks are being asked to cash government checks, FEMA checks and other forms of assistance – and they are—but they cannot be left to foot the bill for bad checks. It is also essential that written guidance be provided by the bank regulators to provide certainty that bank examiners will not cite institutions for various potential violations of the Bank Secrecy Act or the Patriot Act for providing check cashing services to Hurricane Katrina victims under relaxed standards. We commend the efforts of Chairman Bachus and Representative Hooley for their sense of Congress supporting the U.S. banking system as well as their legislation providing indemnification for bad checks. We also want to commend Chairman Baker for his efforts in providing similar legislation to help community banks in the region.

In the category of more intermediate relief, we recommend a much more streamlined process for the Small Business Administration to approve loans. The SBA is offering low-cost, long-term disaster relief loans, but time is of the essence for businesses that have been damaged and will need prompt assistance to help their recovery. We are pleased that the Federal Home Loan Bank of Dallas, an important source of funding for community banks in the affected areas, has adopted

modified and flexible policies governing advances to member institutions and that their regulator, the Federal Housing Finance Board is providing the necessary flexibility.

We are grateful that the banking regulators and the Federal Home Loan Bank of Dallas have responded with immediate actions appropriate to maintain confidence and stability in a region that experienced a terrible natural disaster. The challenge will be to maintain necessary flexibility in regulatory policies and compliance requirements over the intermediate term. As Mr. Digby said last week, those with the boots on the ground have a different view than those viewing the devastation from afar. We need to ensure that we don't forget and realize that the Gulf Coast's needs will be evolving for many weeks and months to come. After temporary survival needs have been met and transitional housing has been provided, families and businesses will begin the longer process of re-establishing communities. Regulatory policy may be expected to evolve during this period, but policy also must remain flexible over an extended period. Community bankers must remain engaged throughout the recovery process, and actions praised today must not be exposed to criticism tomorrow.

Finally, I recommend that we start the process now to improve our ability to recover from major disasters and rebuild communities. ACB supports development by the federal government of a mechanism for spreading the risk of major natural disasters over a risk pool including all holders of improved real property. The federal program should recognize the critical role that insurance plays in mortgage transactions and the need to preserve insurance availability to assure an orderly real estate market. The federal program also should recognize the continuing need to

educate the public about sound real estate development practices in disaster-prone areas to help prevent losses.

Chairman Bachus, Ranking Member Sarbanes and Members of the Subcommittee, on behalf of Dan Digby and his Community Bankers of Louisiana, and Peter Gwaltney and his Louisiana Bankers Association, and all community banks that are in the Hurricane Katrina affected regions of Alabama, Mississippi and Louisiana, thank you for all your continued help and guidance. Community bankers are ready and eager to join in rebuilding their communities.



WASHINGTON BUREAU · NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE
1156 15TH STREET, NW SUITE 915 · WASHINGTON, DC 20005 · P (202) 463-2940 · F (202) 463-2953
E-MAIL: WASHINGTONBUREAU@NAACPNET.ORG · WEB ADDRESS WWW.NAACP.ORG

**STATEMENT OF MR. HILARY O. SHELTON
DIRECTOR, NAACP WASHINGTON BUREAU
BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
“HURRICANE KATRINA: THE FINANCIAL INSTITUTIONS’
RESPONSE”**

September 14, 2005

Thank you, Mr. Chairman, ranking member Sanders, and ladies and gentlemen of the subcommittee. I appreciate the opportunity to come before you and to talk about the response of our Nation’s financial institutions to the Hurricane Katrina disaster.

I am here on behalf of the national NAACP, our Nation’s oldest, largest and most widely-recognized grassroots civil rights organization. With more than 2,200 units in every state in our Nation, including hundreds of units in the areas that have been the most devastated by Hurricane Katrina, the NAACP stands ready to provide you with our concerns and suggestions as to how best to help the multitude of victims of Hurricane Katrina.

Once the scope of the damage from Hurricane Katrina became apparent, as well as the fact that a disparate number of those most severely affected were African Americans and other racial and ethnic minorities and the poor, the NAACP activated our grassroots network to try to offer assistance.

Specifically, we created a disaster relief fund and NAACP President and CEO Bruce Gordon was in touch with the White House at senior levels to express our concerns for the equitable distribution of assistance and relief for all the hurricane victims. President Gordon then traveled to some of the worst affected areas over the Labor Day weekend to assess the damage first-hand and to try to establish how the NAACP could best help.

As a result, the NAACP established command centers, using our grassroots network, in Jackson, Mississippi; Baton Rouge, Louisiana; and Houston Texas. We also established a distribution center in Gulfport, Mississippi.

In preparing this testimony, I spoke extensively with the people in charge of the Baton Rouge and Houston Centers, and much of what I have to say today comes from them, the people in the field. I would like to thank them both, Mr. Kwame Asante in Baton Rouge and Ms. Yolanda Smith in Houston, Texas for their insight as well as their Herculean efforts to help the victims of Katrina.

At the most basic level, it is the fervent goal and aspiration of the NAACP to ensure that when all is said and done the victims of Hurricane Katrina, regardless of their race, economic level, or the extent to which their lives were disrupted by this disaster are able to come away with all that they had prior to the tragedy in terms of property, heart, mind, body and soul.

Much of this, including homes, cars, businesses and credit ratings, are a result of an interaction they had prior to the hurricane with a financial institution. Thus, we are strongly urging the financial institutions that are represented here today to work with all of the Katrina victims and show flexibility and compassion so that all the residents of the Gulf states are not further victimized and they can recover from the horrors of this disaster.

I am also here today to say that the NAACP invites the opportunity to work with you, the financial institutions, as well as with every Member of Congress, to try to develop policies to help ensure that all of the victims of Katrina recover.

Secondly, the NAACP wants us to learn from Katrina. When all is said and done, we would like to be able to say that yes, Katrina was a devastating nightmare, and much was lost. It shined a spot light on historically troubling racial and economic divides that still persist in our Nation. But we can learn from past tragedies, and we have taken the time to try to establish policies and practices to try to stop, or at the very least stem, some of the very serious problems that occurred in September of 2005. We cannot stop natural disasters, but we can do more to mitigate the damage they cause with greater conviction.

In the short term, there is much that can and should be done by our Nation's financial institutions to help address the losses suffered by tens of thousands of people who were affected by Hurricane Katrina.

According to our Command Center Director from Houston, where tens of thousands of victims have been taken, there is a dire need to consolidate services and make them readily available to large numbers of people.

Most of the victims who are housed in Houston came on busses, and thus lack transportation. To expect them to travel to other areas of town to obtain even the most basic of financial services is impractical and difficult, at best. Furthermore, the sheer numbers of people who have been evacuated to Houston and are in dire need of basic services demands innovative responses from all sectors, including the financial services sector.

I should add that the NAACP recognizes that many of these people may not be traditional customers of your banks, credit unions, etc. Quite frankly, some of them may have never used an ATM or applied for a traditional mortgage or small business loan in their lives.

But now is not the time for anyone, including the financial institutions, to turn their backs on whole communities. From a business perspective, it would also be a

terrific opportunity to pursue new clients and to prove that your institution truly cares about a diversity of people, about customers.

Looking a little further out, we would like all financial institutions to develop plans to ensure that everyone affected by the devastation, not just the wealthiest, are able to rebuild. We must make sure that the finite pool of capital is spread evenly throughout the victims, and that low- and middle-income Katrina victims are not left out of the efforts to rebuild.

To that extent, the NAACP supports the recommendation of the Independent Community Bankers of America that a special loan bailout fund be created for the federal government to purchase loans of borrowers affected by the disaster. We would like to be involved in the creation and implementation of that fund, however, to ensure that consumers and homeowners are protected as well as the financial institutions.

There are a few steps that can and should be taken by all financial institutions to ensure that the people of Louisiana, Mississippi, Alabama and the other areas affected by Katrina are not further victimized and do not suffer further losses. Many of these recommendations are especially important to low- and middle-income families, many of whom lived paycheck to paycheck and may have lost their jobs when their place of employment blew away or was last seen under 15 feet of water.

Specifically, the NAACP is joining other consumer and civil rights groups in calling for a series of debtor protections, including a moratorium on foreclosures; a prohibition of collections and deficiency judgments on real and personal properties; a prohibition on negative credit reporting or the omission of negative events from credit scores when the incidents were a result of Katrina; and a voluntary waiver of late fees or interest on loans made to people in Katrina affected areas, for a period of at least three months.

The NAACP is also very concerned about the predatory lenders, who even as we speak must be circling some of the worst hit areas, salivating at the potentials for abuse. Predatory lenders have historically targeted African Americans and low-income Americans at disproportionate rates, so we need to ensure that the few protections we have remain firmly in place. Specifically, the fraud protections regarding home improvement contractors, including the 3-day right of rescission and the APR disclosure must be retained. The NAACP remains skeptical of claims that waiving these regulations will speed up the recovery. Most financial institutions can determine an APR in about 30 seconds using a decent computer program.

And while in a few extreme circumstances we could see the 3-day right of rescission as a hindrance, and waiver of this rule should only be when work starts immediately with transparent issues of the transaction available to the owners of the property.

Lastly, financial institutions can stem the inevitable preponderance of predatory loans in low- and middle-income neighborhoods and communities of color by establishing a presence of their own in these areas. If legitimate financial institutions opened branches in low-income neighborhoods or in areas predominantly occupied by African Americans and offered low-cost loans, then predatory lenders would have a harder time re-victimizing the victims of Katrina.

Which brings me to my final point: lessons we can learn from Katrina. In my discussions with Kwame Asante, the President of the NAACP Baton Rouge branch and the Director of our hurricane command center in that city, one thing became clear: with the slow erosion of the Community Reinvestment Act over the last few years, traditional financial services have become, even prior to Hurricane Katrina, harder to come by in low-income and predominantly African American communities in his area.

As a result, when people were scrambling to find shelter or evacuate prior to the hurricane's arrival, Mr. Asante himself witnessed several mothers dragging their children from bus to bus to try to get to a part of town that did offer financial services to get money out of their accounts.

The other option, which was used by too many of our people, was high-interest lenders, including payday lenders.

The lack of basic financial services in our communities has also lead to people storing their savings in their homes, in their mattresses or teapots. So when their houses washed away or became engulfed in flood water, people lost more than their homes: they often lost their life savings as well.

In closing, if we learned anything from this disaster, and hope to avoid the devastation of these proportions in the future, it is that financial institutions must do more to serve low- and middle-income Americans, and that they cannot ignore communities of color.

Hurricane Katrina is a disaster of tremendous proportions, both in economic as well as basic human terms. Yet it also offers us opportunities to do better, and to offer more to our society. For financial institutions, Hurricane Katrina has provided you with the opportunity to offer your services to people from all walks of life and all racial and ethnic backgrounds and to show a sense of compassion that has been sorely missing from our National history.

The NAACP stands ready to work with you.

Thank you again for allowing me to testify today and to share with you the concerns, challenges and hopes of the NAACP.

THE FINANCIAL SERVICES ROUNDTABLE

Impacting Policy. Impacting People.



1001 PENNSYLVANIA AVE., NW
SUITE 500 SOUTH
WASHINGTON, DC 20004
TEL 202-389-4322
FAX 202-628-2507

E-Mail info@fsround.org
www.fsround.org

**THE FINANCIAL SERVICES ROUNDTABLE &
HOUSING POLICY COUNCIL
MEMBER COMPANY
HURRICANE KATRINA RELIEF EFFORTS**

As of 5 P.M. EST September 13, 2005

This document outlines some of the efforts by The Financial Services Roundtable member companies to aid the victims of Hurricane Katrina. This is a preliminary list and will be updated as companies continue to assess the needs of their employees and customers.

To date, our member companies have taken the following types of actions:

1. Waive fees and penalties for customers in the affected areas
2. Provide moratoriums and extend grace periods
3. Automatically deferred loan payments
4. Offer emergency loan assistance
5. Proactively waiving past due, over limit, pay by phone fees and interest charges
6. Establish alternate payment plans
7. Stabilize accounts in collection and prevent accounts from entering collection
8. No reporting of delinquencies to credit bureaus

In addition, 73 member companies have contributed over \$91 million in cash contributions to relief agencies, with \$64 million in direct corporate contributions, and over \$27 million in employee matching funds.

I hope you will take the time to review the document for specific actions taken by these companies. Also, please let me or Paul Leonard Paul@fsround.org know if we can assist in any way with additional information or questions that you may have.

Lisa S. McGreevy
Executive Vice President for External Affairs

The following list is not complete, final, or comprehensive

Customer Relief Actions

ACE Group

- Working with insurance departments to address issues regarding grace periods for payment of premium and other similar emergency measures

AIG United Guaranty

- Offering lenders with United Guaranty insured loans temporary and/or permanent reduction of interest rates, payment amount reductions, and loan extensions
- Offering modification and/or forbearance arrangements allowing loan customers up to 18 months to bring mortgages current

The Allstate Corporation

- Allstate's National Catastrophe Team has a total of 2,075 dedicated catastrophe specialists assisting with the overall Hurricane Katrina effort – with approximately 1,800 catastrophe adjusters and managers working in the impacted area
- There are several Allstate Mobile Response Units already up and running in impacted areas to assist Allstate customers whose homes or vehicles are damaged or destroyed by Hurricane Katrina
- Each MRU is equipped with satellite telephones and wireless technology that allows Allstate's National Catastrophe Team to take claim information and issue checks for additional living expenses
- Allstate family announced effective August 26, 2005, they have implemented up to a 90-day deferred payment period for customers located in counties and parishes directly affected by Hurricane Katrina in Alabama, Mississippi and Louisiana

American Express Company

- Providing assistance to affected customers and clients throughout region
- Waiving late fees and over limit fees and automatically granting extensions of credit for impacted card members, among other forms of assistance

AmSouth Bancorporation

- Waving ATM fees
- Allowing qualified customers to defer certain loan payments without penalty
- Special queue at call center for affected areas
- Senior agents at call centers to assist customers from the affected areas with what are typically more complicated requests for assistance
- Quickly opening branches in affected areas, some on generator power
- Automatic loan payment deferrals: Automatically deferring consumer and small business loan payments for up to 60 days
- Unsecured line of credit: The bank is also making available an AmSouth Lifeline Line of Credit (LOC), a \$10,000 unsecured line of credit, to qualified customers severely impacted by the hurricane

- Special assistance for credit card customers: customers in the areas deemed a natural disaster area by FEMA can request emergency line increases, alternative payment arrangements, overrides and other services

AXA Financial, Inc.

- Extended by 60 days grace periods for payment of life insurance premiums and policy loan interest when grace period is normally from August 29 through October 29
- Will process loan requests within 24-to-48 hours
- Will limit needed requirements to expedite disbursement of funds

Bank of America Corporation

- For Bank of America customers in FEMA-designated disaster areas, automatically activated 90-day payment deferrals for home mortgages, home equity financing and credit cards
- Will waive all late fees, over limit fees and finance charges for 90 days
- Activated 60-day deferrals for car, boat and RV loans
- Reached agreement with 2 competitor banks in the impacted areas (Chase and Hibernia) and will waive ATM convenience fees for their customers
- Reached an agreement with FEMA to waive fees on the cards the agency is issuing to victims
- Reached an agreement with the American Red Cross to waive fees on the cards the agency is issuing to employees and volunteers
- By expediting financing and credit approvals, Dealer Financial Services is assisting its recreational vehicle dealer clients across the country in their efforts to fulfill FEMA's previously announced request to purchase up to 70,000 small recreational vehicles to be used to house relief workers and displaced residents
- Homeowners insurance is a requirement to obtain mortgage financing and, if a homeowner's property is destroyed, this insurance will repay the loan -- in full or in part (depending on coverage)
- FEMA and other agencies have programs that provide grants and low-cost or no-cost loans to homeowners in federally declared disaster areas
- Bank of America has deployed 14 mobile ATMs and 2 mobile banking centers to serve evacuees from in both Houston and San Antonio (7 mobile ATMs and 1 mobile banking center will be sent to each location.)
- Bank of America is working closely with individuals impacted by the hurricane on a case-by-case basis to open new accounts and cash checks such as accommodating social security checks (Note: To date, impacted individuals are meeting our existing identification and authentication requirements. For security reasons, will not discuss the nature of our check cashing and account opening policies and procedures.)
- Bank of America will waive check cashing fees for non-customers

The Bank of New York Company

- For customers in the affected states (LA, MS, AL), for at least the next 90 days: moratorium on consumer loan payments; no late fees assessed; no reporting of delinquencies to credit bureaus

BB&T Corporation

- Established alternate payment plans for customers, including a 3 month moratorium on late, over limit, annual fees, and finance charges
- Stabilizing accounts already in collection, and preventing accounts from entering collection

Capital One Financial Corporation

- Proactively waiving past due, over limit, pay by phone fees and interest charges for customers in affected areas
- Consideration given to waive the fees for customers in areas outside of FEMA/USPS designated/impacted areas upon specific circumstances or customer requests
- On case-by-case basis, leveraging Hardship and Emergency Funds programs
- Suspended outbound collection/telemarketing calls based on area codes in LA, MS and AL

The Charles Schwab Corporation

- Schwab Bank is offering a special Home Equity Line of Credit to disaster victims, and the disaster relief program will offer up to \$25,000, as either a new line of credit or an increase to an already existing line of credit

The Chubb Corporation

- Announced a voluntary, temporary moratorium on canceling and non-renewing personal and commercial insurance policies in areas of AL, LA, MS, and most severely affected by the hurricane
- Moratorium will remain in effect until at least November 1
- Providing its policyholders with alternate means of reporting claims in the event they are unable to reach an agent or broker affected by the hurricane

Citigroup Inc.

- Working with affected customers to alleviate temporary financial impact through extension of grace periods, waiver of fees and other solutions as appropriate
- Working on business specific initiatives, including deferred and eliminated interest and payments, elimination of fees, no foreclosures on mortgages, and other solutions as appropriate, and will continue to assess our response based on customer needs
 - Citi Cards
 - The following actions will be reviewed every 30 days:
 - No payments due
 - Waiving of interest and fees (current and delinquent accounts)
 - Suspension of collection calls
 - Suspension of negative credit bureau reporting

-
- Implementation of disaster credit line increases
 - Cash advance fees will be waived
 - CitiFinancial / CitiFinancial Mortgage / CitiFinancial Auto
 - Waiving of interest and fees for personal loan and private label accounts (current and delinquent accounts) for one month
 - 30-day deferral of principal and interest on all other accounts (current and delinquent accounts), which may be extended to 90 days. May extend beyond 90 days on a case-by-case basis, especially in the branch business
 - Suspension of collection calls
 - Suspension of negative credit bureau reporting
 - Suspension of direct debit activity for payments
 - Foreclosure / repossession suspended for mortgage and auto portfolio
 - Waive fees relating to Speed pay, NSF, late charges, etc.
 - CitiMortgage / Citi Home Equity
 - Customers will be eligible for reduced/suspended payment options on a case-by-case basis
 - All late fees will be waived for 90 days
 - Suspension of collection calls for 90 days
 - Suspension of negative credit bureau reporting for 90 days
 - Suspension of direct debit until communication with the customer is established
 - Foreclosure sales and bankruptcy procedures postponed for at least 90 days
 - For Citi Home Equity customers, all unused lines will remain available for emergency access
 - Citibank
 - Defer payments up to 60 days
 - Stop accrual of late fees and charges for 60 days
 - Suspension of collection calls for 60 days
 - Suspension of negative credit bureau reporting for 60 days
 - Suspension of direct debit until communication with the customer is established
 - Foreclosure actions suspended
 - Student Loan Corporation
 - Granting of 90-day administrative forbearance (i.e., no payment due for 3 months)
 - Waiving of late fees
 - Working with schools to minimize impact on their students and the funds disbursement process
 - Commercial Business Group (CitiCapital)

- Granting of extensions upon customer request, on a case-by-case basis
- Waiving of late fees
- Suspension of collection calls

Compass Bancshares, Inc.

- Providing disaster relief loans for individuals and small businesses with special rates and discounts
- Discounted rates on consumer and small business loans, deferred payments on existing consumer and small business loans, lines and credit cards, loan payment late fee forgiveness and penalty-free CD withdrawals

Countrywide Financial Corporation

- Announced that it is suspending for up to 90 days the mortgage payment requirement for customers in hurricane-impacted areas that have uninhabitable homes, have lost their jobs or are unable to work because of the impact of the storm
- The company will review further customer hardship circumstances on a case-by-case basis and help reinstate the dream of homeownership for its customers wherever possible
- Establishment of toll-free hotlines for impacted customers to call and staffing of dedicated call centers by service representatives who are trained to address the needs of customers impacted by the hurricane
- Conducting job fairs in the Dallas/Ft. Worth area for people displaced by the storm
- Creation of a food and supply program by Countrywide employees for those affected by the disaster
- Donations will be delivered to shelters and nonprofit agencies throughout the country supporting hurricane victims

Edward Jones

- Waiving certain fees for clients in the affected areas

Ford Motor Credit Company

- Providing customers who live in disaster area with 90-day payment deferrals and waiving fees
- Where possible, contacting customers by mail to make the offer
- Also providing info on the program through toll-free telephone numbers, websites and media releases
- Suspended collection calls
- Not reporting delinquencies caused by the disaster to credit bureaus
- A \$750 Disaster Relief Program incentive, on top of other incentives, to assist affected people in the purchase of replacement vehicles as they begin to rebuild their lives
- Continue to evaluate other options

Genworth Financial

- Providing special assistance to affected policyholders, including delayed payment of premiums, extension of time to pay past-due premiums, and flexibility on receiving requirement for claims approvals
- Assist claimants by being prepared to stop payment and re-issue benefit checks as needed
- Providing life insurance and long-term care insurance policyholder residents in the states of AL, LA, and MS, and in all counties in the Florida Panhandle, until November 25, 2005, to pay their premiums that may become due on or before that date
- Policies that would otherwise have lapsed on or after June 28, 2005, will have an extension of time to pay past due premiums, and policies will be placed back in force up through that date

GMAC Financial Services

- Extending grace period on group plans for 60 days for all employers in affected areas
- Auto crisis auto command center established for customers, extended hours of operations hit with phone calls coded by area code to prioritize
- Suspended collection and repossession activities in FEMA designated disaster areas
- Extension on accounts and fee waivers on a case by case basis
- Mortgage relief counseling and assistance to those in disaster areas
- Customer care centers set up to assist hurricane victims
- Established loss mitigation teams
- Moratorium on all foreclosures and foreclosure referrals
- Waiver of fees on a case by case basis
- Dedicated catastrophe teams to handle claims
- Expedited claims by on sight teams to serve customers on a face to face basis
- Personal lines catastrophe teams dispatched to aid in filling claims and other community relief programs
- Additional staff support using retired claims adjusters
- RV inspection services to help maintain emergency vehicles

Hibernia Corporation

- 25 mobile ATMs have been located in the affected areas
- Re-allocated staff to areas where evacuees are located
- Senior managers have been located in branches to expedite decision making
- Extended branch hours in areas where evacuees are located
- Provided ample cash at appropriate branches
- Various Hibernia markets in unaffected areas have sponsored food/supply drives
- Hibernia employees have been volunteering at shelters and other areas
- Loan deferrals for customers

HSBC North America Holdings, Inc.

- Instituted various workout programs designed to assist borrowers with their mortgage payments
- Will enable customers who live in affected disaster areas to delay their payments for 30 days
- HSBC North America also will waive late and over-limit fees or other penalties that might normally be assessed
- This payment delay will not be reported to credit bureaus as a delinquency
- Customers with HSBC-issued credit cards will receive waivers of cash-advance fees and may be eligible for emergency credit line increases

Jefferson-Pilot Corporation

- Will work with policy owners in disaster affected areas to ensure their JP coverage will remain in force and not lapse due to nonpayment of premium
- Working with our individual life insurance and employee benefit customers affected by the hurricane on a case-by-case basis to ensure that their coverage remains in force
- Will also try to expedite any claims by affected customers

JPMorganChase & Co.

- Establishing disaster-relief loan program for consumers and small businesses in South Louisiana, and will work individually with any customers affected by the hurricane
- For bank accounts: waive fees for customers when they use other banks' ATMs, make it easy for customers to bank away from their home market, waive fee for cashing checks written by Chase customers to non-customers, and cash Social Security checks for non-customers with no fees
- For home mortgages and home equity loans and lines of credit: defer payments for up to 90 days, waive late fees for 90 days, and file no negative credit bureau reports for 90 days
- For credit cards: defer payments at least 30 days, waive late fees and over limit fees, file no negative credit bureau reports for 90 days, and expedite requests for credit line increases
- For small businesses: defer payments for up to 90 days, waive late fees for 90 days, file no negative credit bureau reports for 90 days
- For automobile loans: defer loan payments for up to 90 days, waive late fees for 90 days, and file no negative credit bureau reporting for 90 days
- Handling debit cards for FEMA
- Setting up portable fee free ATMs at public locations including the airport and Super Dome

LaSalle Bank Corporation

- For LaSalle Bank and Standard Federal Bank clients affected by Hurricane Katrina, LaSalle Bank Corporation will ease restrictions until further notice on cashing checks and waiving certain fees and penalties
- ABN AMRO Mortgage Group, Inc. (AAMG), a subsidiary of LaSalle Bank Corporation, is also instituting several proactive measures to help the more than 50,000 customers who have been impacted by Hurricane Katrina, which include the following until further notice:
 - No assessment of late charges
 - A waiver of non-sufficient fund fees for checks that do not clear normal bank channels
 - No delinquent notices
 - No reporting negative credit caused by Hurricane Katrina
 - Proactive efforts to offer forbearance on existing loans
 - Trained customer service representatives who are prepared to service borrowers impacted by Hurricane Katrina: 8:30 a.m. to 6 p.m., EST, from Monday through Friday at 800-783-8900
 - A special after-hours voicemail box, accessed by dialing 800-783-8900; AAMG will respond the next business day

MassMutual Financial Group

- Extended the 60 day lapse period on its policies by an additional 60 days within the areas declared a federal disaster to assure that insured's do not lose policy coverage because of inability to pay premiums in a timely fashion

Master Card, International

- Waiving transaction fees on contributions to the Red Cross and AmeriCares on U.S. issued MasterCard cards

MBNA Corporation

- Implemented an array of initiatives aimed at relieving Customers' short-term financial worries and at helping ensure they have financial resources available when and where they need them
- For Customers affected by the hurricane, we are now offering the following to help them through this difficult time: two months of payment holidays; late fee waivers at all stages of delinquency; expedited priority plate requests to alternate addresses at no cost; fast access to emergency cash; increased credit lines; fee waivers for early withdrawals on deposit accounts; prioritized responses to calls from affected areas; credit protection activation without claim for those with coverage; and one-month payment holidays to relief workers and Customers who are housing evacuees or in other ways affected secondarily
- Have empowered those in Customer contact roles to proactively make Customer service adjustments and to provide specific assistance to Customers based on their situation and needs

MetLife, Inc.

- MetLife will not cancel any coverage for non payment of premiums for a 90-day period ending on December 1, 2005, for all policyholders in the counties in Louisiana, Alabama, Mississippi and Florida that have been designated disaster areas
- The 90-day period covers all products including life, disability, long-term care, dental, auto and homeowners insurance policies in FEMA disaster areas in those four states
- MetLife Auto & Home has dispatched its national Catastrophe (CAT) Response Team, two mobile Catastrophe Response Vehicles and hundreds of adjusters to assist its auto and homeowners customers by processing and paying claims as quickly as possible

Principal Financial Group

- Will work closely with affected customers and will be running ads in the affected areas to reassure customers
- The first ad ran Sunday, September 11 in the following papers: *Baton Rouge Advocate* (Louisiana), *Hattiesburg American* (Mississippi), *Laurel Leader Call* (Mississippi), *Houston Chronicle* (Texas), and the *San Antonio Express-News* (Texas)
- The ad encourages customers to call 800.986.3343 (Monday to Friday - 8 a.m. to 8 p.m., EST) if they have questions or concerns regarding our products or services, or they need to change their address or find out information about receiving payments for pension, benefits or dividends
- In addition, implementing an additional grace period for premium payments for policyholders

Provident Financial

- Enacted disaster relief measures for affected cardholders, stopping late, over limit, and finance charges, stabilizing accounts already in collections, preventing accounts from entering collection, and hardship line increases will be offered on a case-by-case basis

Prudential Financial Inc.

- For those who have an immediate need for cash, Prudential is providing quick access to the cash value of existing life insurance policies with a loan or withdrawal
- Grace periods for life insurance premium due dates have been extended
- The company is providing replacements for lost or damaged life insurance policies

Raymond James Financial, Inc.

- Raymond James Bank, FSB is working with clients who have been affected by the recent hurricanes on an individual basis
- Offering special considerations and services, such as waiving CD early redemption penalties if funds will be used for rebuilding, waiving overdraft fees

and late payment fees if delayed by a hurricane, honoring direct deposits early, and providing copies of insurance information to clients when needed

Regions Financial Corporation

- Waived ATM and check-cashing fees for residents and customers in the affected area, offering deferrals on loan and credit card payments, increased credit limits on credit cards, special discounts and introductory rates on new equity loans and lines of credit
- Working with state banking associations and federal regulators to ensure that both its customers and others have access to their cash and credit, waiving certain requirements and fees as necessary to accomplish this
- Providing certain types of relief regarding consumer and mortgage loans
- Established temporary emergency business banking centers in Jackson and Gulfport, MS, and Baton Rouge, LA, in order to respond as immediately and thoroughly as possible to business customers' specific needs

Sovereign Bancorp, Inc

- Announced a new checking account for evacuees of Hurricane Katrina who have relocated to the Northeastern states
- The Sovereign Bank Relief Checking Account is available through Sovereign's 664 community banking offices in seven states: Connecticut, Maryland, Massachusetts, New Hampshire, New Jersey, Pennsylvania and Rhode Island
- The new account is a non-interest bearing checking account that includes fee waivers and free checks
- Account holders will not be charged for domestic wire transfers, debit card point-of-sale transactions, cashiers checks or money orders
- In addition, Sovereign will waive its fee for non-Sovereign ATMs
- The account also includes a Sovereign Bank Visa CheckCard with no monthly or annual fees

State Farm Insurance Companies

- Temporarily suspended insurance and bank billing in affected areas

TIAA-CREF

- Assisting participants, their families, institutional clients and independent advisors in the disaster stricken areas with their special needs; implemented procedures to streamline transactions that are most helpful to customers

Toyota Motor Credit Corporation

- Toyota Financial Services and Lexus Financial Services will assist finance and lease customers affected by Hurricane Katrina by offering a 90-day extension on payments, suspending credit bureau reporting on accounts impacted by the storm and temporarily suspending collection efforts on these accounts
- Lexus Pursuits Visa Card customers will also receive an extension on payments

UBS

- Established a task force to assist employees and clients with their recovery efforts in the wake of this disaster

U.S. Bancorp

- Instituting various customer relief programs

USAA

- Mobilized a catastrophe team to assist members affected by the storm
- Most homeowners policies provide additional living expenses for up to 12 months homes are uninhabitable due to damages
- Automobile Loans: 5% APR fixed rate for 60 months, 100% financing, other terms available, first payment deferred up to 90 days
- Personal Loans: 8.65% APR fixed rate, terms up to 60 months, first payment deferred up to 90 days
- Checking and Savings: Non-sufficient funds fees waived through Nov. 30, 2005, receive instant credit for deposits en route to the bank, emergency fulfillment of debit cards
- Credit Card Products: 0% APR until June 2006 on purchases, cash advances, and balance transfers made by Dec. 31, 2005, late fees/finance charges waived through Nov. 30, 2005, for accounts in good standing, no payments for up to two months with skip pay program, line of credit increases as appropriate, expedited delivery of new credit cards
- Insurance Products: Billing arrangements to accommodate members' individual needs
- Investment Products: Certain mutual fund and brokerage fees waived
- Financial Planning Services: Free financial advice from USAA's Financial Advice Center
- Rental car discounts through Avis

Wachovia Corporation

- Extended ATM fee waivers
- Offering emergency loan assistance
- Employees from the company's Treasury division are partnering with Loomis, Fargo & Co. to quickly deliver supplies of cash to Louisiana business clients, including supermarkets and retail chains to help these businesses open as quickly as possible with a supply of petty cash

Washington Mutual, Inc.

- Alternative payment plans for loan customers
- Penalty-free CD withdrawals
- Reduced interest rates on home equity loans
- Quick approvals on personal lines of credit
- Refunds of non-proprietary ATM fees
- Emergency replacement of ATM or Visa check cards
- Assistance with processing of insurance checks

Wells Fargo & Company

- Wells Fargo Home Mortgage has placed a 90-day moratorium on bankruptcies, negative credit bureau reporting and foreclosures for customers in the affected areas
- This stops all late fees, collection calls, foreclosures, bankruptcies and negative credit bureau reporting
- This 90-day moratorium is in place to allow Wells Fargo Home Mortgage, homeowners and insurance companies time to accurately assess each situation
- Home Equity customers – can be offered home equity line-of-credit increases up to \$25,000 for existing Home Equity customers affected
- In addition, on a case-by-case basis, Wells Fargo will provide more help such as extended terms and deferred payments
- For the remainder of 2005, will assist customers who are located in areas that have been declared by FEMA as eligible for individual assistance
- This assistance will include the following:
 - A moratorium on all accounts in the identified areas will cover:
 - Payment deferral throughout 2005
 - Ceasing negative credit bureau reporting
 - Waiving all late charges, NSF check fees, and over limit fees
 - Stopping all collection calls, foreclosures and repossessions.
- Federal and alternative student loan customers in the affected areas who are in repayment will automatically be granted a disaster forbearance, which will postpone payment for 90 days
- Wells Fargo EFS will temporarily suspend collecting federal and alternative student loan payments from customers in the affected areas, but will continue trying to make contact with customers to find the best solution for their individual situations
- The following products/services are available for Wells Fargo Small Business customers:
 - Emergency Credit Line increases
 - Bridge Loans
 - Term Loans
 - Credit Protection Activation
 - Loan Payment Deferrals (Card, Line, and SBA)
- Wells Fargo is working with Wholesale customers who were impacted by Hurricane Katrina by:
 - Helping businesses get money to their employees, both cash and payroll
 - Setting up emergency lockboxes for company's employees to make donations
 - Finding options for banks and companies needing to process payments

- ATM Banking - Starting September 7 through the end of 2005, non-Wells Fargo customers who have accounts with financial institutions in the Gulf states (Louisiana, Mississippi and Alabama) can get cash at any Wells Fargo ATM nationwide and not pay any Wells Fargo fees

Whitney Holding Corporation

- Fees for using non-Whitney National Bank ATMs are being waived
- Direct deposit services utilized by both businesses and consumers continue to be processed at the Bank's recovery processing center

Continued on next page

Charitable Contributions**ACE Group**

- \$1 million contribution to hurricane victims
- 100% employee matching contributions

AEGON

- \$200,000 contribution to American Red Cross
- Dollar-for-dollar match by AEGON/Transamerica Foundation up to \$200,000 of employee contributions for a total of \$600,000
- Donations to the Monumental Life Employee Relief Fund (Division of AEGON - with 6 offices in Louisiana) will be used to directly benefit employee families living/working in disaster areas hit hardest by the storm, and distributed immediately to employee families through field managers
- Collecting direct contributions for affected employee families

The Allstate Corporation

- Established \$1 million Allstate Emergency Relief Fund to be administered by organizations in the impacted areas
- Matching employee donations to the American Red Cross on a one-for-one basis
- Allstate will make a \$1,000 donation to the American Red Cross Hurricane Katrina Relief Fund for every successful field goal made by Allstate participating schools (30 Division 1-A schools) at their home and away games throughout the 2005 college football season

American Express Company

- Donating \$1 million (\$500,000 immediate donation), guaranteed additional \$500,000 from employee match, if employees donate more, it will be matched
- In addition, Ameriprise Financial will match employee contributions up to \$500,000
- Contributing \$1 for every donation to a FEMA-recommended relief organization made on an American Express Card, and waive the discount rate for donations made to the Red Cross with an American Express Card via the official Red Cross donation website, as well as the other FEMA-recommended organizations through October 31, 2005.
- Encouraging Card member donations of Membership Rewards point to the same FEMA list of relief organizations and will match up to an additional \$1million in total donations

American General Financial Services, Inc./AIG

- Donating \$1 million to the AIG Disaster Relief Fund, with these funds being given to organizations throughout the affected region
- 100% matching employee contributions to the AIG Disaster Relief Fund
- Will continue to pay affected employees throughout the course of the disaster recovery effort
- Has sent initial shipments of food and personal necessities to affected employees
- Providing a \$250 clothing allowance for employees in need

- A headquarters response team met with local company officials and employees in Mississippi and Louisiana to determine immediate and long-term needs
- All employee Wal-Mart gift card donations will be matched 100% by the AGF Foundation
- \$7,500 in donated cards - so \$15,000 in total will be given to those affected
- Sent down a truck today with over 1,500 MREs, water and necessities to make four distribution stops in the affected areas

AmSouth Bancorporation

- \$50,000 contribution to the American Red Cross
- Accepting donations from customers to the Red Cross at all branches
- Established fund to help employees affected by hurricane and made an initial \$10,000 contribution to it
- Downtown Birmingham offices collected items such as pillows, toys, diapers and baby wipes for evacuees staying at the Birmingham Jefferson Civic Center
- Contributed \$30,000 to an organization in Memphis, Service over Self, that is housing about 200 evacuees

Associated Banc-Corp

- Matching employee contributions up to \$20,000 for a total of \$40,000

Assurant, Inc.

- Donating \$250,000 to the United Way's Hurricane Katrina relief fund
- Additional donations being made to the Red Cross and other charitable organizations by Assurant's foundations, employees and matching gift programs

AXA Financial, Inc.

- \$500,000 contribution to the American Red Cross
- Extended matching gift program by \$1,000, for a maximum potential \$3,000 match per employee
- Working with Red Cross to coordinate a team of AXA volunteers to work on recovery efforts

BancorpSouth, Inc.

- Established employee relief fund for contributions from bank officers and employees
- Matching employee contributions to the Salvation Army

BancWest Corporation – BNP Paribas (parent company)

- \$550,000 contribution to the American Red Cross
- Employee matching contributions

Bank of America Corporation

- Bank of America and associate giving now totals approximately \$3 million
- As of late September 8, 2005, Bank of America associates worldwide had contributed \$1,027,944.69, which will be matched by the company
- Bank of America has committed in excess of \$1 million to aid the victims of Hurricane Katrina through its Charitable Foundation (Note: Bank of America will deliver \$500,000 to American Red Cross Disaster Relief Fund, and \$100,000 to Houston Food Bank via Gulf Coast United Way Katrina Relief fund to help feed evacuees currently housed in

Houston Astrodome. Also, funds are being provided to support relief efforts in San Antonio and Dallas/Fort Worth. Additional contributions will be directed to areas of greatest need in the days to come.)

- Bank of America will match associate pledges through the bank's Matching Gifts program and will not limit its overall relief donation
- The standard minimum \$25 matching gifts requirement has been waived through November 30, 2005; allowing gifts of \$10, \$5, or even \$1 to be matched.
- Bank of America will accept public donations for the American Red Cross through its network of more than 5,800 banking centers nationwide or online
- As of early September 8, 2005, customers had donated in our banking centers in excess of \$717,400

The Bank of New York Company

- \$350,000 contribution with employee and customer matching contributions for a total of \$700,000
- \$250,000 will be available to match employee donations to any charity involved in the relief effort; \$100,000 will be available to match customer donations to the American Red Cross through branches
- All of the company's gift (up to \$350K) will go to the American Red Cross

BB&T Corporation

- \$100,000 contribution to the American Red Cross
- Monetary contributions, food, supplies, and necessities being gathered at branches and offices
- Affected employees are eligible to receive funds from BB&T Employee Disaster Relief Fund

Capital One Financial Corporation

- \$1 million contribution to the American Red Cross
- Established two-for-one match for employee donations, up to an additional \$500,000, for a total of \$2 million
- Sponsored the "Concert for Hurricane Relief" which aired Friday, September 2, at 8 p.m. EST on NBC, MSNBC-TV, and webcast on MSNBC.com
- Throughout the program viewers were encouraged and made contributions to the American Red Cross

The Charles Schwab Corporation

- \$1 million contribution to hurricane relief efforts, including \$500,000 to the American Red Cross and \$500,000 to Habitat for Humanity
- Doubling its match for employee donations to charities doing relief work

The Chubb Corporation

- \$500,000 contribution to disaster relief organizations
- Will match employee contributions to relief organizations on a two-for-one basis, up to and over \$500,000, for a total of over \$1 million

Citigroup Inc.

- The Citigroup Foundation, Citigroup and its Employees Donate up to \$8.2 million
- \$1 million contribution to the American Red Cross
- In addition to a \$1 million immediate donation, the Citigroup Foundation will match any eligible donation made by a Citigroup employee dollar-for-dollar to the American Red Cross to support its relief efforts up to \$3 million for a potential total of \$7 million
- Banamex will donate up to \$1.2 million through a matching program to support the relief efforts in the Gulf Coast
- Citibank ATMs in the United States and customer websites will also include messages informing our customers how they may contribute to the American Red Cross
- Linking employee volunteers to many opportunities including manning call centers, staffing food banks, fundraising for the Red Cross and other charities
- Mobilizing 16,000 Texas employees to play a leadership role in volunteering
- Citibank Texas will fundraise among customers for the Red Cross and accept donations in our financial centers
- Planning drives to collect materials needed by the shelters in major office buildings and are making lists of resources on how to donate goods, funds and volunteer time available to all employees
- Global Consumer Group and Smith Barney are establishing relief funds that will be allocated to specific affected employees in each of their respective businesses

Citizens Financial Group, Inc.

- Matching employee donations and collecting relief supplies in all of its branches

City National Corporation

- \$50,000 contribution to the American Red Cross
- Matching employee donations made to the American Red Cross and Habitat for Humanity up to \$50,000 for a total of \$150,000

Comerica Incorporated

- \$50,000 contribution to the American Red Cross
- Collecting contributions at branches nationwide through September

Compass Bancshares, Inc.

- Offered a matching donation of up to \$250,000 to the Red Cross Disaster Relief Fund
- Donations may be made in any Compass Bank centers
- Donations will be accepted through October 1, 2005

Countrywide Financial Corporation

- Making initial cash contributions of up to \$1.6 million for immediate relief and long-term rebuilding in the region impacted by Hurricane Katrina
- Countrywide is creating a special initiative with its primary charitable organization, *Rebuilding Together*, to rebuild homes in areas devastated by Hurricane Katrina

- The company is making an immediate grant of \$500,000 towards this effort and will also provide an additional \$500,000 in matching funds to employee donations
- Additionally, Countrywide and its employees have provided \$500,000 to the *American Red Cross* through the company's emergency relief fund
- The company is also contributing \$100,000 to a shelter in Dallas that is providing temporary housing and support to hurricane evacuees who have been relocated to that community

Credit Suisse First Boston

- The CSFB Foundation will match employee contributions to the CSFB Relief Fund on a two-for-one basis
- This commitment will be matched up to a maximum total amount of US\$2 million, although that cap may be increased based on a complete assessment of the impact and need

Cullen/Frost Bankers, Inc.

- Making a \$100,000 donation to organizations in San Antonio and other Texas cities that are providing direct relief to the victims of Hurricane Katrina
- \$50,000 of the donation will go to the San Antonio Hurricane Relief Fund at the San Antonio Area Foundation in Frost Bank's headquarters city
- The balance will be given to organizations such as the American Red Cross and the Salvation Army in the Texas cities Frost Bank serves, especially those where victims of the hurricane have been evacuated
- Frost Bank employees have been directly involved in helping with relief efforts in cities around the state and the bank is providing a variety of banking services to evacuees through its 78 locations around Texas

Edward Jones

- Contributed more than \$1 million to aid the victims of Hurricane Katrina
- Donated \$250,000 directly to the American Red Cross and an additional \$750,000 to Red Cross relief efforts in communities where Edward Jones branches are located
- Matching its associates' donations to the American Red Cross and is collecting client donations to the relief effort
- Offering financial assistance, housing and other forms of assistance to its associates impacted by the hurricane

Fidelity Investments

- Providing a significant contribution
- Encouraging direct employee donations through approved relief agencies and facilitating contributions through Intranet site
- Fidelity Foundation will look for opportunities to assist with the longer-term rebuilding efforts of New Orleans and other cities affected by this disaster

Ford Motor Credit Company

(Includes Ford Motor Credit, Ford Motor Company, Ford Motor Fund)

- Some \$4 million in monetary and in-kind contributions to American Red Cross, America's Second Harvest, Salvation Army and other relief organizations, including:
 - Matching employee contributions to selection relief organizations
 - Donating advertising time during NFL games to the American Red Cross for fundraising
 - Donating 160 trucks, vans and SUVs to relief efforts
- Providing use of call centers in U.S. and Canada to support the Shelter from the Storm telethon
- More than 1,300 team members donated their time to answer calls
- Providing direct support to affected employees and their families
- Supporting individuals and organizations within the company and dealers who are finding ways to help, through fundraisers, blood drives and other activities
- Working with state and local officials to coordinate further volunteer support as conditions permit

General Electric Company

- GE donated \$6 million to the American Red Cross
- GE also matched \$2 million contributed by GE employees and retirees 100%, for a total of \$4 million
- GE also committed at least \$10 million of in-kind services and products, including power generation equipment, water desalination and medical equipment

Genworth Financial

- \$150,000 contribution to the American Red Cross
- Matching employee contributions 40%
- Coordinating supply relief with the American Red Cross

GMAC Financial Services

- Total cash contributions over \$1.5 million

Harris Bankcorp, Inc.

- \$370,000 contribution for hurricane relief, as well as accepting donations in branches for contributions to the United Way's disaster fund
- Matching contributions for employee and customer donations in the U.S. and Canada

HSBC North America Holdings, Inc.

- \$250,000 contribution to the American Red Cross on behalf of 25,000 employees contributing through United for Hope
- Employee matching contributions dollar-for-dollar
- Nearly 900 employees in seven HSBC call center facilities across the country volunteered their time to accept contributions on behalf of the American Red Cross during the American Red Cross "A Concert for Hurricane Relief" Sept. 2 event

- HSBC employees in Texas are collecting clothing and supplies to aid individuals and families at the Houston Astrodome, and employees in Jacksonville, Charlotte and other areas of the country have launched fundraising events as well
- HSBC North America will continue to pay employees who work at the company's nine Louisiana and two Alabama HFC and Beneficial lending offices that have been closed
- HSBC North America is also providing hotel accommodations in Houston for employees and their families who have been impacted

ING

- ING's U.S. operations announced a \$1 million cash contribution to The American Red Cross
- ING and its real estate asset management group is cooperating with FEMA to offer shelter to victims of Hurricane Katrina in residential and industrial facilities in the Houston and Atlanta areas
- The ING Foundation in the U.S. will provide a 50-percent match to employee contributions

Jefferson-Pilot Corporation

- The Jefferson-Pilot Foundation has approved a gift of \$100,000 for hurricane relief
- Matching employee gifts up to \$2,500

John Deere Credit Company

- \$500,000 contribution to the American Red Cross with matching employee contributions to \$500,000 million for a total of \$1.5 million
- Providing equipment in-kind contributions to the relief effort

JPMorganChase & Co.

- \$1 million contribution to the American Red Cross with matching employee contributions to \$1 million for a total of \$3 million
- Accepting Customers donations at branches across the U.S.
- Raised over \$750,000 to date in customer donations through Chase branches
- Have also made \$1 million available to the UNCF to help relocate college students who attend schools impacted by Katrina

KeyCorp

- Matching employee contributions
- Opened a nationwide account on behalf of the American Red Cross to accept donations at all branches throughout the country
- Participating in a collaboration with the Ohio News Network Disaster Relief Fund

LaSalle Bank Corporation

- LaSalle Bank Corporation is launching the LaSalle Bank Hurricane Katrina Relief Fund
- The fund, which was set up by The Chicago Community Trust, the third largest nonprofit community foundation in the U.S., will be used to support humanitarian and reconstruction efforts

- Matching donation program to all employees up to \$500,000
- 100% of the money donated will go to the American Red Cross and America's Second Harvest, with funds split 50/50 between the two
- Offering technical/operational support to FEMA as requested
- Assistance offered to employees and families includes relocation from the affected area or shelter and direct financial assistance
- Also are providing employees, whose jobs were directly impacted by Katrina, emotional and logistical support

Lincoln National Corporation

- Matching employee contributions to the American Red Cross or America's Second Harvest dollar-for-dollar up to \$100,000
- Matching two-for-one on contributions over that amount up to \$200,000

M&T Bank Corporation

- \$100,000 contribution to the American Red Cross
- Will also match dollar-for-dollar all contributions made to the Red Cross by its employees, directors and retirees, and will accept contributions from the public at any branches

Marshall & Isley Corporation

- \$100,000 contribution to American Red Cross
- Will match all employee donations, up to \$100,000, for M&I employees who choose to donate funds for hurricane relief efforts on the Louisiana-Mississippi coast, with matching funds donated to The American Red Cross and The Salvation Army

MassMutual Financial Group

- \$250,000 contribution to the American Red Cross
- Establishing a two-for-one employee and matching fund to the American Red Cross and the Salvation Army

MasterCard, International

- \$1 million direct contribution to the American Red Cross and AmeriCares
- Matching our employee contributions to these organizations \$2-to-\$1
- Donated advertising space in USA Today to the Red Cross

MBNA Corporation

- \$500,000 direct financial contribution and \$500,000 match program

Mellon Financial Corporation

- Established a special \$200,000 Gift Matching Program to match individual employee contributions of up to \$500 to the American Red Cross
- Mellon also has made a grant of \$25,000 to the Hurricane Katrina Relief Fund-Pittsburgh at the Pittsburgh Foundation to support storm victims being relocated to Pittsburgh, PA

Mercantile Bankshares Corporation

- Assisting victims via the Mercantile Matching Gift program with proceeds being sent to the American Red Cross

Merrill Lynch & Co., Inc.

- \$1 million contribution to the American Red Cross with matching employee contributions to \$500,000 for a total of \$2 million

MetLife, Inc.

- MetLife Foundation has committed \$1 million to organizations working to bring relief and begin the rebuilding process

National City Corporation

- \$100,000 contribution to the American Red Cross with matching employee contributions to \$400,000 for a total of \$900,000

Nationwide

- Nationwide Foundation today is donating \$500,000 to the American Red
- The Nationwide Foundation will match associate, retiree and agent contributions to the United Way disaster relief effort
- Associates and agents are providing much-needed supplies such as water, diapers, food and ice to support families

PNC Financial Services Group, Inc.

- \$200,000 contribution
- \$100,000 toward regional efforts in Pittsburgh and Philadelphia to house and support families and individuals relocating to those areas; and
- \$100,000 to the American Red Cross, Salvation Army and select other agencies and efforts supporting Hurricane Katrina relief in affected areas of Alabama, Louisiana and Mississippi
- Will match, dollar-for-dollar (with a \$2,500 limit), all donations made by employees
- Partnered with Sesame Workshop on aid for children affected

Popular, Inc.

- Partnering with the Ricky Martin Foundation and the New York Mets in a public service campaign encouraging the public to collaborate with hurricane relief efforts
- Banco Popular de Puerto Rico made an initial donation of \$100,000 to establish an employee relief fund. The total amount collected will be donated to the American Red Cross
- Banco Popular North America employees contributed \$25,000 to an American Red Cross hurricane relief fund
- BPNA will contribute an additional \$10,000 to the fund and has designated the week of September 12-18 as "Solidarity Week" to encourage additional donations
- Banco Popular North America employees have volunteered with the American Red Cross, helping with relief and sheltering efforts primarily in Texas
- Banco Popular North America will sponsor a collection drive at Shea Stadium during the Mets home game on Saturday September 17
- BPNA will collect donations throughout the stadium, will donate \$1 for every transaction effected at any stadium ATM which will be matched by the Mets and has pledged \$1,000 for every home run hit during the game

- Each Banco Popular North America region has donated clothing, shoes and toys to El Reliant Center and the Texas Children's Hospital
- Popular Financial Holdings established a hurricane relief fund. Employees have contributed \$10,000 to date which will be matched by the company

Principal Financial Group

- \$100,000 contribution to the American Red Cross, and will match employee, retiree, and career agent contributions to the American Red Cross, dollar-for-dollar

Provident Financial

- \$50,000 contribution to the American Red Cross with matching employee contributions of up to \$1,000 each to qualifying non-profit organizations

Prudential Financial Inc.

- The company and its employees will contribute more than \$5 million to help Gulf Coast victims
- Prudential will make a direct contribution of \$3 million to the relief effort
- The Prudential Foundation will also match the contributions made by employees
- The Foundation has waived its annual limit of \$5,000 per employee for its matching gifts program for contributions directed toward this fund
- The company anticipates the program will raise an additional \$2 million
- The money will be used to support local charitable organizations dedicated to helping victims by providing housing assistance, job training and other services
- Funds will also be used to assist soldiers returning from Iraq who belong to the Louisiana Army National Guard's 256th Brigade Combat Team, the "Louisiana Tigers"
- Beyond the financial contributions, Prudential donated full-page, non-commercial advertisements in New York and New Jersey newspapers on Sunday, September 4, urging people to contribute to the relief effort

Raymond James Financial, Inc.

- \$100,000 contribution to the American Red Cross and \$100,000 to The Salvation Army for a total of \$200,000
- Collecting employee donations of necessary supplies on behalf of several organizations to benefit those in affected areas

RBC Centura Banks, Inc.

- \$250,000 donation to the American Red Cross relief fund to support communities on the U.S. Gulf Coast affected by Hurricane Katrina
- Will match its employees' individual contributions up to another \$125,000, for a total of \$500,000
- Accepting donations to the relief fund from the general public at all of its branches across Canada, as well as RBC Centura branches in the U.S. Southeast

Regions Financial Corporation

- Employee assistance through the Regions Associates Assistance Fund, and have set up an account for the American Red Cross and the Salvation Army to accept public donations
- All associates from those storm-impacted areas will automatically receive their Sept. 15 and Sept. 30 paychecks
- Regions is working diligently to place evacuated associates in jobs in the cities to which they have relocated
- Associates can also call the company to discuss specific emergency needs they have; the Regions Associates Assistance Fund is meeting those on a case-by-case basis. Associates are donating generously to this fund, and the company is matching their contributions on a dollar-for-dollar basis
- The company has been distributing emergency water, ice, gasoline and personal supplies to associates on the Alabama and Mississippi Gulf Coasts and in Baton Rouge, La., an effort that will continue in the coming weeks

Sky Financial Group, Inc.

- Accepting donation to the American Red Cross at branches and through website

Sovereign Bancorp, Inc

- Corporate gift of \$50,000 in recognition of the generosity of Sovereign employees who have donated to the Red Cross fund
- Donated \$50,000 in matching funds
- Collected \$350,000 in contributions since September 6, 2005
- Accepting monetary donations for the American Red Cross to aid hurricane victims
- Cash and check donations are being accepted at all Sovereign Community Banking Offices throughout the bank's Mid-Atlantic and New England regions
- Ten Sovereign employees will be trained by the Red Cross and spend 3 weeks in the Gulf Coast as a Red Cross Volunteer

State Farm Insurance Companies

- \$1 million contribution to the American Red Cross
- Employee, agent, and retiree matching contributions dollar-for-dollar

SunTrust Banks, Inc.

- \$600,000 contribution including:
- \$100,000 contribution to the American Red Cross with matching employee contributions to \$100,000 for a total of \$200,000
- \$400,000 relocation and relief fund in affected areas

Synovus

- \$20,000 contribution to the American Red Cross and matching employee contributions
- Employees have donated nearly \$200,000 which Synovus will match, bringing the total contribution to \$400,000

TIAA-CREF

- Donated \$250,000 to the American Red Cross
- Matching the total of employee contributions to Hurricane Katrina disaster relief received as part of upcoming annual Employee Giving Campaign
- Employees are also volunteering for American Red Cross phone banks and collecting basic essentials for displaced residents

Toyota Motor Credit Corporation

- Toyota companies announced a \$5,000,000 contribution directed to disaster relief for victims of Hurricane Katrina

UBS

- Donated \$1 million to the American Red Cross
- Matching employee contributions to eligible charities assisting the Gulf States through its matching gift programs
- Helping employees and their families get back on their feet through an internal fund accepting employees' monetary donations and an "essentials drive" through Amazon.com that will help provide clothing and other staples

UnionBanCal Corporation

- \$50,000 contribution to the American Red Cross

USAA

- \$1 million contribution to hurricane relief efforts
- Donating and coordinating relief supplies

U.S. Bancorp

- Established a disaster relief fund
- Accepting donations at all branches

Wachovia Corporation

- \$2 million donation to Hurricane Katrina relief efforts
- \$1 million contribution to the American Red Cross with matching employee contributions up to \$1,000 per employee
- Will donate \$800,000 to establish a fund with the Gulf Coast Community Foundation in Mississippi and \$200,000 to establish a fund with the Community Foundation of South Alabama in Mobile
- Wachovia disaster relief teams delivered truckloads of food, water, generators and other needed items to employees in Mobile, AL and Pascagoula, MS, gathering toiletries, clothing, food and other essentials
- Employees affected by the disaster are eligible to receive funds from the Wachovia Employees Care (WE Care) Fund
- Continuing to accept donations to the American Red Cross at Wachovia and SouthTrust financial centers throughout retail market and through Bank by Mail program
- Wachovia announced that it is designating a substantial portion of its federal New Markets Tax Credits (NMTC) allocation for redevelopment in the Gulf Coast region in response to the destruction caused by Hurricane Katrina

Waddell & Reed Financial, Inc.

- \$100,000 contribution to the American Red Cross and \$100,000 to the Salvation Army, funded by the company and employee matching contributions, for a total of \$200,000

Washington Mutual, Inc.

- \$1 million contribution to American Red Cross, with matching employee contributions
- The company expects to match \$250,000 in employee donations for a potential total of \$500,000
- Through Oct. 15 employee eligibility requirements for the matching gifts program will be expanded to allow new and part-time employees to assist with disaster relief
- Activated employee disaster relief program through the Washington Mutual Foundation
- Support includes a \$300,000 donation to Central and Southeast local organizations engaged in relief efforts
- The company contributed \$100,000 to the Red Cross, and forged a partnership with Washington Gov. Christine Gregoire, called Washington Cares, that will match state residents' contributions up to \$100,000 to support volunteer efforts in the Southeast
- Washington Mutual will match employee donations of \$25 or more (up to \$10,000 per employee)
- Donations to the American Red Cross may be made at any Washington Mutual financial center nationwide
- Online donations to the American Red Cross may be made via Washington Mutual's corporate web site
- Employee grassroots support, including coordinating school supply drives for influx of displaced students, collecting food for food banks in the impacted regions, participating in blood drives

Wells Fargo & Company

- Increased its team member matching program for Hurricane Katrina disaster relief to \$500,000, up from \$250,000
- With the company's previously announced contribution of \$500,000 to the American Red Cross Hurricane Katrina Relief Fund, along with the initial \$250,000 matching program, this would bring Wells Fargo and its team member's total contribution for relief efforts up to \$1.5 million

Congress of the United States
Washington, DC 20515

September 8, 2005

The Honorable John W. Snow
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Snow,

As members of the Financial and Economic Literacy Caucus, we write to express our interest in addressing the financial and economic concerns and needs of those affected by Hurricane Katrina. More specifically, we suggest that you convene an emergency meeting of the Financial Literacy and Education Commission (FLEC) to coordinate federal agency efforts to provide financial guidance to victims of Hurricane Katrina and act as a clearinghouse for federal and private-sector financial-related information.

It is apparent that many victims – both individuals and businesses – of Hurricane Katrina are in financial distress and/or disarray. After victims fulfill their basic needs of finding shelter, food, clothing, and medical attention, they will look to reassemble their finances and will have questions about their financial obligations.

Many federal agencies and financial institutions across the country are working hard to provide financial relief and assistance to victims and answer victims' questions, but their efforts are varied, duplicative, and not necessarily complete. Victims of Hurricane Katrina should have easy access to financial-related information via a website and toll-free number, and we believe that the FLEC is well positioned to coordinate this information. Congress created FLEC in Public Law 108-159 "to improve the financial literacy and education of persons in the United States" and directed FLEC to "take such actions as it deems necessary to streamline, improve, or augment the financial literacy and education programs, grants, and materials of the Federal Government, including curricula for all Americans." Never has there been a greater need for FLEC to carry out its duties than now.

Ideally, FLEC will coordinate the collection of financial-related information and, at one online location and one toll-free number, provide a clearinghouse for this information, which would be accessible via FEMA's website. For example, the FLEC clearinghouse would provide financial-related information so that Hurricane Katrina victims can quickly learn about how to address their financial obligations and other needs regarding housing, mortgage payments, insurance, credit cards, credit reports, identity theft, banking, avoiding financial scams, and tax relief, to name a few.

Some federal agencies, such as the Federal Deposit Insurance Corporation, currently are doing exemplary work by providing a website, toll-free number, and staff to address victims' banking-related concerns. We believe that other agencies should emulate but not duplicate the FDIC's activity. FLEC should be the body to organize a coordinated effort. And victims should have easy, initial access to financial-related information via FEMA's website.

In addition, we encourage you to include in this meeting private sector financial literacy and education groups that you deem appropriate to aid the federal agencies in their financial outreach efforts to Hurricane Katrina victims.

As the head of the lead agency of FLEC, you are in the best position to organize this emergency FLEC meeting, which we encourage you to do as soon as possible. Time is of the essence. The sooner you hold the meeting, establish a clearinghouse and toll-free number, and make this information available via the FEMA website, the sooner victims can gain financial relief and security.

If you have any questions or if we can assist you in any way, please feel free to contact the Co-Chairs of the Financial and Economic Literacy Caucus, Congresswoman Judy Biggert at 225-3515 or Congressman Rubén Hinojosa at 225-2531.

Thank you for your time and attention.

Sincerely,

Judy Biggert

Lucille Roybal-Allard

Chuy Bravo

Amodeo

Vernon Ehlers

Ruben Hinojosa

Catalyn B. Mabrey

Clayton White

Caroleen McCarthy

Paul Merre

Steven Pearce

Paul Hillman

Donald W. Payne

Lucy Kelly

Luella D. Saperstein

Jonathan Sander

W. H. Perry

Gregory W. Parks

Wendell Kennedy

M. D. Kelly

David J. Ford

John V. Guthrie

Richard W. Baker

Rail M. Grijalva

Sam J. Moore

Richard S. Ryan

Melvin J. Bear

Todd R. Platts

Michael Sitzpatnick

**Signatories and
Members of the Financial and Economic Literacy Caucus**

Page Two

Judy Biggert (R-IL), Co-Chair
Lucille Roybal-Allard (D-CA)
Sherwood Boehlert (R-NY)
Spencer Bachus (R-AL)
Vernon Ehlers (R-MI)

Rubén Hinojosa (D-TX), Co-Chair
Carolyn Maloney (D-NY)
Ginny Brown-Waite (R-FL)
Carolyn McCarthy (D-NY)
Dennis Moore (D-KS)

Page Three

Steve Pearce (R-NM)
Paul Gillmor (R-OH)
Donald Payne (D-NJ)
Sue Kelly (R-NY)
Linda Sanchez (D-CA)
Loretta Sanchez (D-CA)
Charlie Gonzalez (D-TX)
Gregory Meeks (D-NY)
Mark Kennedy (R-MN)
Michael Oxley (R-OH)

Joseph Crowley (D-NY)
Harold Ford (D-TN)
Luis Gutierrez (D-IL)
Richard Baker (R-LA)
Raul M. Grijalva (D-AZ)
Gwen Moore (D-MS)
Deborah Pryce (R-OH)
Melissa Bean (D-IL)
Todd Platts (R-PA)
Michael Fitzpatrick (R-PA)